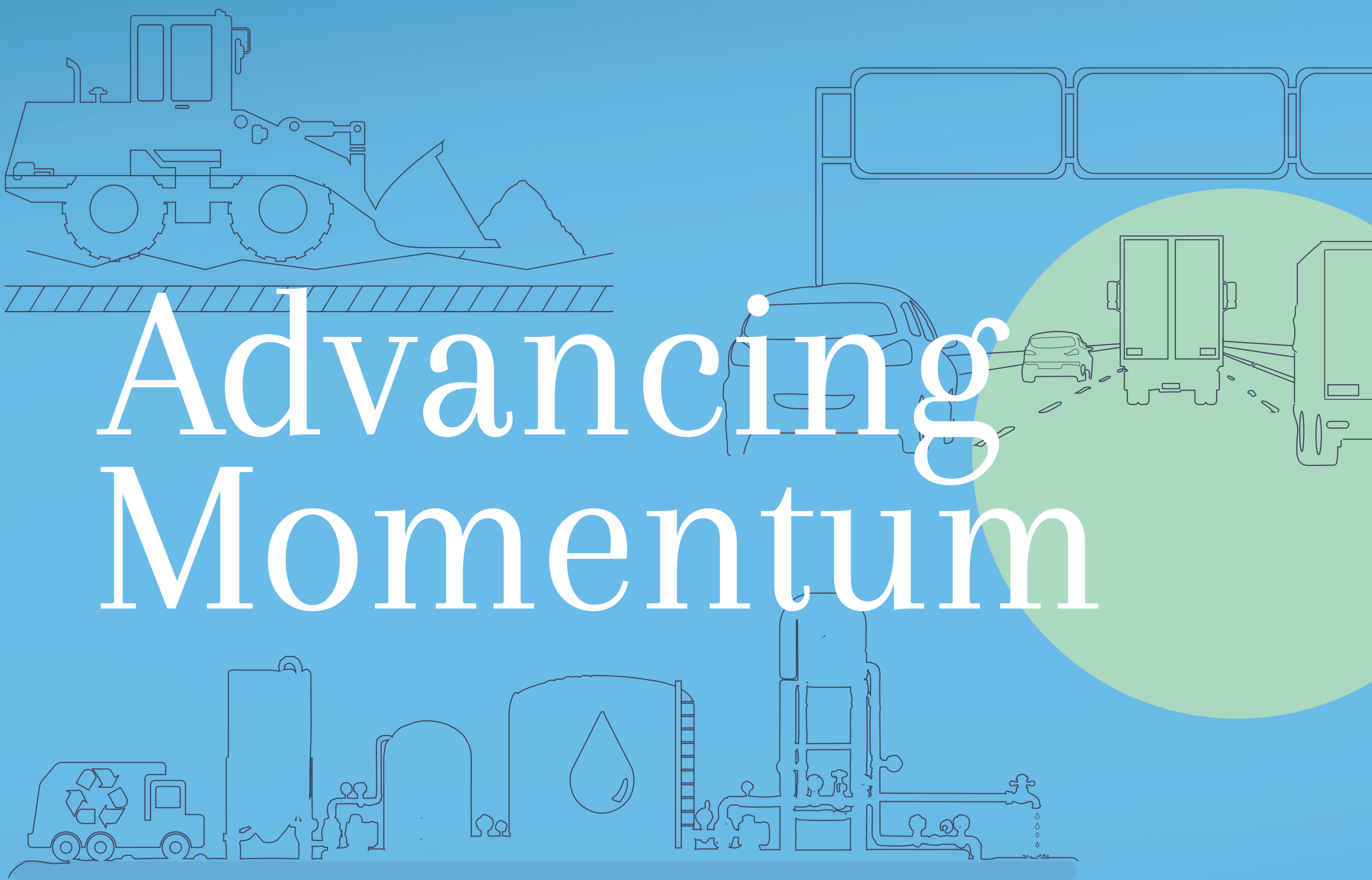
TALIWORKS CORPORATION
LGB Group

ANNUAL REPORT
2017

Advancing Momentum



BUILDING **SOLID RESULTS**

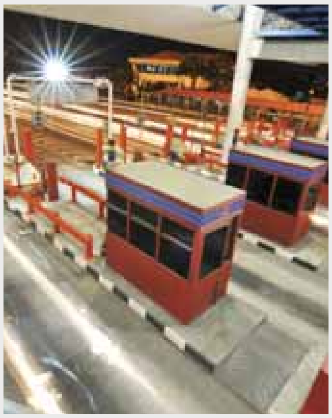
REVENUE
368.6M

MARKET CAPITALISATION
as at 31 March 2018
997.8M

TOTAL SHAREHOLDERS' EQUITY
1,054M

PROFIT FOR THE FINANCIAL YEAR
42.1M

CONTENTS



CORPORATE INFORMATION

BOARD OF DIRECTORS

Senior Independent Non-Executive Chairman
Tan Sri Dato' Seri Ong Ka Ting

Executive Director
Dato' Lim Yew Boon

Independent Non-Executive Directors
Mr. Soong Chee Keong
Dato' Sri Amrin Bin Awaluddin
Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin
Encik Ahmad Jauhari Bin Yahya

Non-Independent Non-Executive Directors
Mr. Lim Chin Sean
Mr. Vijay Vijendra Sethu

AUDIT AND RISK MANAGEMENT COMMITTEE

Chairman Mr. Soong Chee Keong

Members Mr. Lim Chin Sean
Dato' Sri Amrin Bin Awaluddin

NOMINATING COMMITTEE

Chairman Tan Sri Dato' Seri Ong Ka Ting

Members Mr. Vijay Vijendra Sethu
Encik Ahmad Jauhari Bin Yahya

REMUNERATION COMMITTEE

Chairman Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin
(re-designated as Chairman on 13 February 2018)
Tan Sri Dato' Seri Ong Ka Ting
(resigned on 13 February 2018)

Members Mr. Soong Chee Keong
Mr. Lim Chin Sean
(appointed on 13 February 2018)

COMPANY SECRETARIES

Ms. Tan Bee Hwee
(MAICSA 7021024)
Ms. Queck Wai Fong
(MAICSA 7023051)

REGISTERED OFFICE

Unit 30-01, Level 30, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
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59200 Kuala Lumpur, Malaysia
T + 60 3 2783 9191
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PRINCIPAL OFFICE

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60000 Kuala Lumpur, Malaysia
T + 60 3 2788 9100
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W www.taliworks.com.my

SHARE REGISTRARS

Symphony Share Registrars Sdn. Bhd.
Level 6, Symphony House
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Jalan PJU 1A/46, 47301 Petaling Jaya
Selangor Darul Ehsan, Malaysia
T + 60 3 7849 0777 (Helpdesk)
F + 60 3 7841 8151/52
E ssr.helpdesk@symphony.com.my

AUDITORS

Deloitte PLT (LLP0010145-LCA)
Chartered Accountants (AF 0080)
Level 16, Menara LGB
No. 1, Jalan Wan Kadir
Taman Tun Dr. Ismail
60000 Kuala Lumpur, Malaysia
T + 60 3 7610 8888
F + 60 3 7726 8986

PRINCIPAL BANKERS

AmBank (M) Berhad
AmIslamic Bank Berhad
CIMB Bank Berhad
HSBC Bank Malaysia Berhad
Hong Leong Bank Berhad
United Overseas Bank (Malaysia)
Berhad

STOCK EXCHANGE LISTING

Main Market
Bursa Malaysia Securities Berhad
Stock & Code:
TALIWRK & 8524 (Trading/Services)
TALIWRK-WB & 8524WB
(Warrants)

AGM HELPDESK

Contact Person:
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CORPORATE PROFILE

HIGHWAY TOLL CONCESSIONAIRE, OPERATIONS AND MAINTENANCE OPERATOR

WATER TREATMENT, SUPPLY AND DISTRIBUTION

ENGINEERING AND CONSTRUCTION

WASTE MANAGEMENT

CORE BUSINESS ACTIVITIES

BACKGROUND HISTORY

Taliworks Corporation Berhad ("Taliworks" or the "Company") is listed on the Main Market of Bursa Malaysia Securities Berhad under Trading/Services Sector (Name & Code: TALIWRK & 8524). Taliworks is a pure-play infrastructure company and is involved in four core business sectors as above.

FOCUS ON MATURE OPERATIONAL CASH-GENERATING UTILITIES/ INFRASTRUCTURE BUSINESSES

Taliworks' subsidiaries started out in the water management sector in 1987 as pioneers in the privatisation of potable water treatment and supply in Malaysia and today, the water treatment, supply and distribution segment leads as the main core business activity of Taliworks. In 2004, Taliworks diversified into the waste management business in the People's Republic of China (which it subsequently disposed of in 2016). Thereafter, it expanded into the highway toll concessionaire, operations and maintenance sector in 2007.

In 2016, Taliworks completed the realignment of its strategic business focus towards mature operational cash-generating utilities/infrastructure businesses to support its general dividend policy by disposing of its entire waste management business in the People's Republic of China and simultaneously acquiring a 35% equity interest in SWM Environment Holdings Sdn. Bhd. ("SWMH"). SWMH is an investment holding company whose subsidiaries are principally involved in managing and carrying on the business of solid waste collection and public cleansing management and other related activities in the Malaysian states of Negeri Sembilan, Malacca and Johor under a 22-year concession agreement with the Federal Government.

CORPORATE PROFILE

Water Treatment, Supply and Distribution

One of Taliworks' core businesses is in the privatised water supply sector. It comprises an operation and maintenance ("O&M") contract for the Sungai Selangor Phase 1 Water Treatment Plant ("SSP1") that supplies treated potable water to large parts of Selangor and Kuala Lumpur, and the water treatment, supply and distribution system for the entire Pulau Langkawi in Kedah. The O&M contract for SSP1, which is for a duration of 30 years, is undertaken by Sungai Harmoni Sdn. Bhd. ("Sungai Harmoni") and expires in January 2030.

The water treatment, supply and distribution system in Pulau Langkawi is managed by Taliworks (Langkawi) Sdn. Bhd. ("Taliworks Langkawi") under a 25-year concession ending in October 2020. Taliworks Langkawi has been granted an authorisation under Section 192(5) of the Water Services Industry Act 2006 by the National Water Services Commission ("SPAN") to undertake and carry out operation and maintenance activities under the Langkawi Water Supply Privatisation Agreement dated 7 October 1995 and the Supplemental Agreements dated 4 August 1999, 22 July 2001 and 1 August 2004 effective from 1 February 2013 to 31 October 2020.

These two companies manage a total of 6 water treatment plants with a combined design operating capacity of 1,037.2 million litres per day (Sungai Harmoni: 950 million litres per day; Taliworks Langkawi: 87.2 million litres per day).

Highway Toll Concessionaire, Operations and Maintenance Operator

Taliworks first ventured into highway ownership and toll operations when it acquired a 55% equity interest in Cerah Sama Sdn. Bhd. ("Cerah Sama") in 2007. Cerah Sama is the holding company for Grand Saga Sdn. Bhd. ("Grand Saga") (http://www.grandsaga.com.my), a company that owns and operates the concession for the Cheras-Kajang Highway until September 2045. The highway is one of the first four-lane dual carriageways in Malaysia and it measures approximately 11.5 km in length, stretching from the Connaught Interchange, Cheras to Saujana Impian, Kajang. Whilst plying the densely populated and fast growing Cheras-Kajang vicinity, it eases traffic congestion and minimises travel time for daily commuters. The highway concession comprises two toll plazas (with toll collection at one bound) i.e. the Batu 9 toll plaza (Kajang bound) and the Batu 11 toll plaza (Kuala Lumpur bound), one rest and service area and eight interchanges.

Subsequently in 2014, the Employees Provident Fund Board ("EPF") acquired an effective 49% equity interest in Cerah Sama whilst Taliworks' effective equity interest in Cerah Sama was reduced from 55% to 51%. The purpose of the collaboration with EPF is to position TEI Sdn. Bhd. ("TEI"), the immediate holding company of Cerah Sama, as the flagship vehicle through which both parties will engage in the business of acquiring and operating mature cash-generating utilities/ infrastructure assets in Malaysia and in developed countries.

In December 2014, Taliworks through its indirect joint-venture, Grand Sepadu (NK) Sdn. Bhd. ("Grand Sepadu") acquired the assets and concession rights to the New North Klang Straits Bypass Expressway ("NNKSB Expressway") from Lebuhraya Shapadu Sdn. Bhd. (In Liquidation) for a cash consideration of RM265 million with the 18-year concession ending in December 2032.

NNKSB Expressway, whose tolling operations commenced in 2002, is a 17.5 km two-lane dual and three lane carriageway highway which links North Port to Bukit Raja, Klang. The NNKSB Expressway is partly parallel to the old tolled North Klang Straits Bypass (which became a non-tolled road after NNKSB Expressway became operational) and is linked to the Federal Highway, the New Klang Valley Expressway ("NKVE") and in future, the upcoming West Coast Expressway, which will connect Banting in Selangor to Taiping in Perak.

In 2015, EPF acquired a 50% equity interest in Pinggiran Muhibbah Sdn. Bhd. ("Pinggiran Muhibbah"), a company that owns 75% equity interest in Grand Sepadu and a 90% economic interest in the NNKSB Expressway. This partnership resulted in EPF effectively owning 37.5% equity interest in Grand Sepadu and 45% economic interest in NNKSB Expressway and this marks the second partnership between Taliworks and EPF.

CORPORATE PROFILE

Engineering and Construction

Taliworks' engineering and construction activities are mainly undertaken by a wholly owned subsidiary, Taliworks Construction Sdn. Bhd. ("Taliworks Construction"). Taliworks secured its first project in 2002 and has undertaken several other projects in the infrastructure space since. Some of the more notable projects include the RM120 million Projek Bekalan Air Kedah Tengah on a turnkey basis, the RM149 million design and build Padang Terap Water Supply Project in Kedah and the RM339 million Mengkuang Dam Expansion Project which comprise site clearance, earthworks, construction of reinforced concrete structures and pipe laying works. Taliworks is ISO9001 certified and is registered with the Construction Industry Development Board of Malaysia ("CIDB") and holds the highest grade, Grade G7, issued by the CIDB.

Waste Management

In May 2016, Taliworks disposed of its entire investment in the waste management companies in the People's Republic of China and simultaneously acquired a 35% equity interest in SWMH. SWMH is an integrated waste management and public cleansing service provider in the southern region, namely Johor, Negeri Sembilan and Melaka. SWMH's wholly owned subsidiary, SWM Environment Sdn. Bhd. ("SWME"), is the concession owner for the provision of solid waste collection and public cleansing services, serving the southern region until 31 August 2033. Its business covers a total geographical region of approximately 27,650 km^2 and serves a population of over 5.1 million. It services 27 local authorities with over 8,000 staff and 500 sub-contractors who collectively manage approximately 4,500 to 5,000 tonnes of waste per day.

As an integrated waste management and public cleansing service provider, SWMH, through SWME, services municipal authorities, as well as commercial and industrial sectors in the southern region of Peninsular Malaysia. The collection and transportation of domestic waste, garden waste, bulky waste and recyclables form the crux of the company's business. Currently, the company manages a fleet of over 800 collection vehicles and a workforce of 3,000 dedicated employees to provide scheduled and timely collection services. SWME averages a collection of 103,000 tonnes of waste a month with an approximate total of 1.2 million tonnes of waste collected for the year 2017.

The public cleansing service, which includes grass cutting, drain cleaning, street sweeping, wet/dry market cleaning and beach cleansing, is an important part of the company's scope of work and plays a critical role for the benefit of the general public. A fleet of over 500 cleansing vehicles, machines and a workforce of over 5,000 employees are deployed for the cleaning services.

TALIWORKS HAS A TEAM OF KNOWLEDGEABLE MANAGEMENT WITH MORE THAN TWENTY-FIVE YEARS' EXPERIENCE IN THE INFRASTRUCTURE INDUSTRY WITH PRIVATISATION, PROJECT MANAGEMENT, CONSTRUCTION, CORPORATE AND FUNDING SKILLSETS.

Business Focus and Strategies

The water treatment, supply and distribution business in Malaysia accounts for the bulk of Taliworks' revenue and profitability. Taliworks remains focused on its core businesses to support its dividend payout ratio of not less than 75% of its consolidated profit after tax (excluding exceptional items), backed by the existing mature and long-term concessions in water treatment, supply and distribution; toll highway operations and waste management which provide stable income and cashflow to Taliworks.

Taliworks has a team of knowledgeable management with more than twenty-five years' experience in the infrastructure industry with privatisation, project management, construction, corporate and funding skillsets. Hence, any project conceptualisation and potential merger and acquisition opportunities are scrutinised thoroughly so that the target strategic assets and outcomes are value-accretive to shareholders.

Leveraging on its strengths, Taliworks is a strategic investor with the objective of growing and expanding into mature operational cash-generating utilities/infrastructure businesses both domestically and in foreign developed markets and in that process positioning itself as a leading pure play infrastructure projects company in the region.

CORPORATE MILESTONES

1965

Taliworks was incorporated in Malaysia as a private limited company under the name of The Carpet Manufacturing Company (Malaysia) Limited ("Carpet Manufacturing") (August).

1968

Carpet Manufacturing changed its name to F&T Carpets (Malaysia) Sdn. Bhd. ("F&T Carpets") (November).

1974

F&T Carpets was renamed to Carpets International Malaysia Sdn. Bhd. ("Carpets International") (February).

1982

Carpets International was converted into a public company and assumed the name Carpets International Malaysia Berhad ("Carpets") (December).

1992

Carpets was listed on the then Second Board of the Kuala Lumpur Stock Exchange *(now known as Bursa Malaysia Securities Berhad ("Bursa Securities")* (July).

2000

- Carpets completed the acquisition of 100% equity interest in Sungai Harmoni and Taliworks (Langkawi) (July).
- Carpets was transferred to the Main Board of Bursa Securities *(which has since been merged with the Second Board into a single board known as the Main Market)* (October).
- Carpets was renamed to Taliworks Corporation Berhad (November).

2002

- Taliworks ceased the operations of designing, manufacturing, distributing and laying of carpets and rugs.
- Taliworks was named Forbes magazine's 100 best smaller-sized enterprises in the Asia Pacific.
- Taliworks secured its maiden project for the design, construction and supervision for water supply works to the Northern Area of the Central Kedah Water Supply Scheme for RM120 million.

2003

Taliworks was named Forbes magazine's 100 Best Smaller-Sized Enterprises in the Asia Pacific and KPMG/The Edge Shareholders Value Awards (ranked no. 21 out of top 100 companies and ranked 2nd within the Infrastructure Grouping).

2004

- Taliworks diversified its business interests to include waste management in the People's Republic of China.
- Taliworks was ranked no. 85 out of the top 100 companies for the KPMG/The Edge Shareholders Value Awards.

2005

- Tianjin-SWM (M) Environment Ltd Co, a 90% owned subsidiary of Taliworks, commenced operations in the Tianjin Panlou Municipal Solid Waste Transfer Station (January).
- Taliworks was ranked no. 78 for The Edge Top 100 Best Companies in term of return (3 years).
- Taliworks was ranked no. 40 out of the top 100 companies for the KPMG/The Edge Shareholders Value Awards.
- Taliworks issued 70,440,000 warrants 2005/2010 pursuant to a rights issue of warrants on the basis of 1 warrant for every 5 ordinary shares of RM0.50 each held after the split of every 1 ordinary share of RM1.00 each into 2 ordinary shares of RM0.50 each (September).
- Taliworks adopted a general dividend policy of distributing not less than 50% of its net earnings as gross dividends for the next three years commencing from the financial year 2006.

2006

- Taliworks was ranked no. 124 out of 200 public listed companies based on market capitalisation as at 31 December 2005 under the Corporate Governance Survey Report 2006 published jointly by the Minority Shareholder Watchdog Group and The University of Nottingham – Malaysia Campus.
- Taliworks was ranked amongst the top 212 main board companies selected based on market capitalisation as at 31 December 2005 under the Dividend Survey 2006 published jointly by the Minority Shareholder Watchdog Group and Universiti Teknologi MARA.
- Taliworks issued 17,000,000 new placement shares of RM0.50 each at RM1.35 per share pursuant to a private placement of shares (May).
- Air Kedah Sdn. Bhd., a 60% owned subsidiary, received the Letter of Acceptance to implement the Padang Terap Water Supply Scheme from the Kedah State Government for RM149 million (July).

2007

- Taliworks diversified its business interests to highway toll operations and maintenance through the acquisition of 55% interest in the then JV Company, Cerah Sama.
- Taliworks acquired a 56% stake in Puresino (Guanghan) Water Co. Ltd. (April) and subsequently commenced commercial operations of the Guanghan San Xin Dui wastewater treatment plant in September.
- Taliworks was ranked no. 87 out of 350 main board companies under the Corporate Governance Survey Report 2007 published jointly by the Minority Shareholder Watchdog Group and The University of Nottingham – Malaysia Campus.
- Taliworks was ranked amongst the top 500 public listed companies selected based on market capitalisation as at 31 December 2006 under the Dividend Survey 2007 published jointly by the Minority Shareholder Watchdog Group and Universiti Teknologi MARA.
- Taliworks issued 5-year convertible bonds with a nominal value of RM225 million.

CORPORATE MILESTONES

2008

Taliworks was ranked no. 45 out of 960 public listed companies under the Corporate Governance Survey Report 2008 published jointly by the Minority Shareholder Watchdog Group and The University of Nottingham – Malaysia Campus.

2009

Taliworks was ranked amongst the top 100 public listed companies under the Malaysian Corporate Governance Report 2009 published by the Minority Shareholder Watchdog Group.

2011

- Taliworks was awarded the sub-contract of the Mengkuang Dam Expansion Project for a project sum of RM339 million (September).
- Taliworks (Yinchuan) Wastewater Treatment Co. Ltd., a wholly-owned subsidiary of Taliworks, completed the takeover of the operation of four municipal wastewater treatment plants with recycled water facilities in Yinchuan (December).

2012

- Taliworks was awarded the Brandlaureate Best Brand Awards 2011-2012- Best Brands in Industrial - Water Treatment.
- Taliworks' joint-venture with LGB Engineering Sdn. Bhd. was awarded a contract by the State Government of Selangor for the construction and completion of Raw Water Pumping Main and Inter-connection at Matang Pagar Reservoir for a contract sum of RM20.3 million (February).

2013

- Cerah Sama issued RM420 million Islamic Medium Term Notes (Sukuk Musharakah) under the Sukuk Programme of up to RM750 million in nominal value (January).
- Taliworks (Langkawi) was granted an authorisation by the National Water Service Commission to undertake and carry out the operations and activities under the Langkawi Water Supply Privatisation Agreement (October).
- Taliworks was listed among the Top 100 Malaysian Public Listed Companies ("PLC") by the Minority Shareholder Watchdog Group as per the ASEAN CG Scorecard methodology on 862 PLC companies.

2014

- Taliworks gained control over Cerah Sama which subsequently became Taliworks' subsidiary as a result of an internal re-organisation exercise (June to August).
- EPF acquired 31.85% equity interest in Cerah Sama, whilst Taliworks' effective equity interest in Cerah Sama reduced to 28.05% from 55%.
- The consortium of LGB-Taliworks JV was awarded the SSP3 Package Pipeline, involving the supplying and laying of 11km of 1,200 mm diameters of steel pipes with a contract value of RM30.6 million (June).
- Taliworks announced a Dividend Policy of declaring a dividend payout ratio of not less than 75% of its consolidated profit after tax (excluding exceptional items) commencing the financial year ending 31 December 2015 (September).
- Grand Sepadu executed a Novation Agreement and a Second Supplemental Concession Agreement to take over the New North Klang Straits Bypass Expressway for cash consideration of RM265 million (December).

2015

- Grand Sepadu issued a RM210 million Sukuk Murabahah.
- TEI acquired 35% equity interest in Cerah Sama from a shareholder of Cerah Sama - SEASAF Highway Sdn. Bhd., resulting in Taliworks's equity interest in Cerah Sama increasing from 28.05% to 51%.
- LGB Taliworks Consortium Sdn. Bhd. ("LGBTC"), Taliworks 20% associate company, was awarded the SSP7 Project contract by Pengurusan Aset Air Berhad with a contract sum of RM75.9 million (September).
- Taliworks undertook an internal re-organisation to rationalise the group structure such that the group's investment in its highway concessionaires are held under separate immediate holding companies – Cerah Sama is 51% owned by TEI while Grand Sepadu is wholly owned by Pinggiran Muhibbah.
- Taliworks issued 43,980,000 new placement shares of RM0.50 each at RM3.20 per share pursuant to a private placement of shares (October).
- Taliworks issued 241,897,790 Warrants 2015/2018 on the basis of 1 Warrant for every 5 ordinary shares held after the share split comprising the subdivision of every 2 existing ordinary shares of RM0.50 each into 5 ordinary shares of RM0.20 each (November).
- Taliworks completed the 2nd partnership with EPF via the disposal of its 50% equity interest in Pinggiran Muhibbah to EPF (December).
- Taliworks was included in the MSCI Global Small Cap Indexes for Malaysia.
- Taliworks was ranked no. 91 out of the Top 100 Overall CG Companies – Disclosures with ROE Performance by the Minority Shareholder Watchdog Group.

2016

- In line with Taliworks' new business strategy to focus on mature operational cash-generating utilities/infrastructure businesses to support its dividend policy, Taliworks completed the disposal of its entire waste management operations in the People's Republic of China and the acquisition of 35% equity interest in SWMH. This marks Taliworks' 3rd partnership with EPF where EPF held 35% equity interest in SWMH (May).
- A consortium comprising of Taliworks and Ikatan Gemajaya Sdn. Bhd. was awarded the Ganchong Water Treatment Works from the East Coast Economic Region Development Council with the total contract sum of RM73.1 million (September).
- SWME, a 100% owned subsidiary of SWMH, was awarded the Brandlaureate SMEs BESTBRANDS Award 2015-2016 - Signature Brand Services – Integrated Solid Waste Management.
- Taliworks was awarded the IEM 2016 Award for Water Management in Malaysia.
- Taliworks was ranked no. 44 out of the Top Malaysian 100 PLCs with Good Disclosures by the Minority Shareholder Watchdog Group.
- Taliworks was ranked no. 29 out of the Top 100 Malaysian PLCs for Overall Corporate Governance and Performance by the Minority Shareholder Watchdog Group.

2017

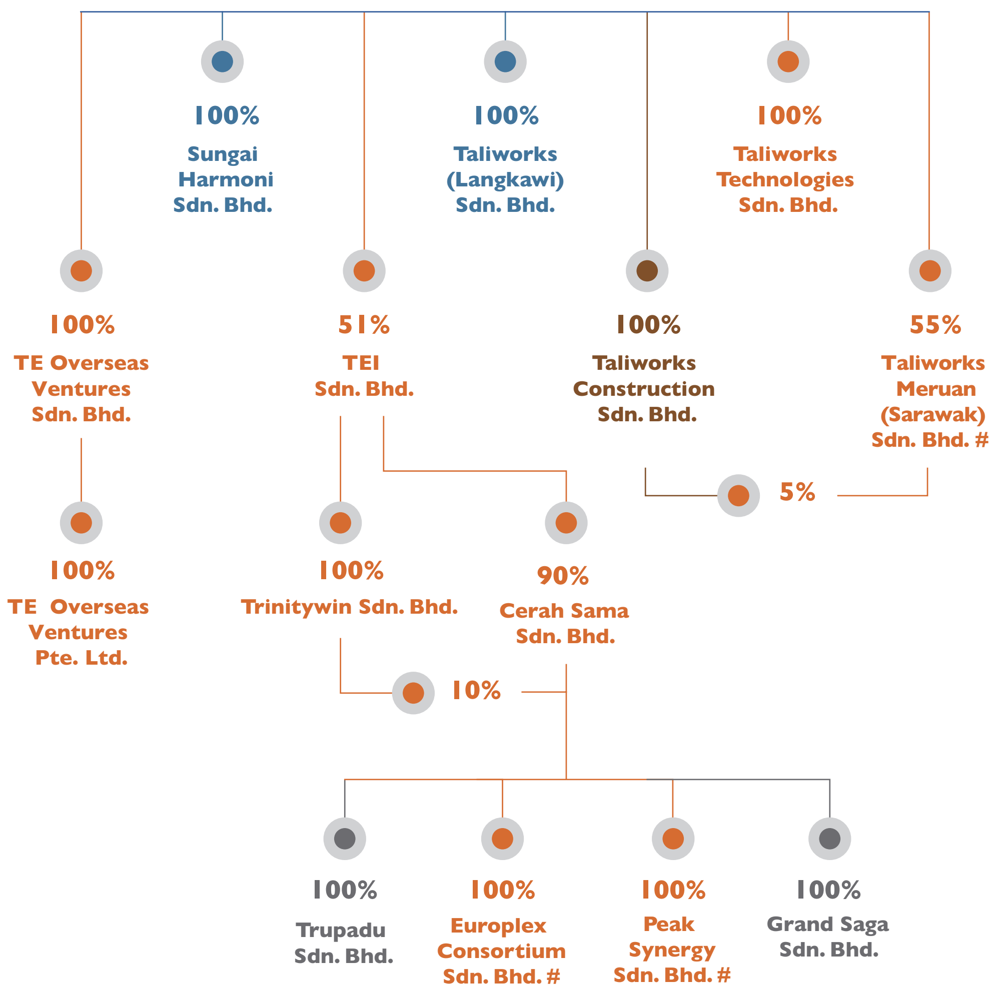
- Taliworks was ranked no. 45 out of the Top Malaysian 100 PLCs with Disclosures by the Minority Shareholder Watchdog Group.
- Taliworks was ranked no. 26 out of the Top 100 Malaysian PLCs for Overall Corporate Governance and Performance by the Minority Shareholder Watchdog Group.
- SWME was awarded the Best Employer Branding Awards (3rd Edition) by Employer Branding Institute (India) in Malaysia.
- SWME was awarded Gold Award (Private Sector) for the HR Award – Employer of Choice category by the Malaysian Institution of Human Resource Management.
- SWME was awarded Gold Award (Head of Department) for the HR Leader category by the Malaysian Institution of Human Resource Management.

CORPORATE STRUCTURE

As at 16 March 2018

TALIWORKS CORPORATION
LGB Group

SUBSIDIARIES



JOINT VENTURE

50%
Pinggiran Muhibbah Sdn. Bhd.

75%
Grand Sepadu (NK) Sdn. Bhd.

ASSOCIATES

24%
Aqua Flo Sdn. Bhd.

40%
Hydrovest Sdn. Bhd. #

20%
LGB Taliworks Consortium Sdn. Bhd.

35%
SWM Environment Holdings Sdn. Bhd.

49%
LGB & TCB JV Sdn. Bhd.

- Investment Holding Company/others
- Highway Toll Concessionaire, Operations and Maintenance Operator
- Engineering and Construction
- Water Treatment, Supply and Distribution
- Waste Management

\# *Companies in the process of members' voluntary winding-up and/or striking off*

CORPORATE AND FINANCIAL EVENTS 2017

22 MAY

The Twenty-Sixth Annual General Meeting of the Company was successfully concluded with all proposed resolutions duly adopted.

RELEASE OF FINANCIAL RESULTS

16 FEB

Unaudited interim results for the 4th Quarter ended 31 December 2016.

28 APR

Audited financial statements for the financial year ended 31 December 2016.

22 MAY

Unaudited interim results for the 1st Quarter ended 31 March 2017.

16 AUG

Unaudited interim results for the 2nd Quarter ended 30 June 2017.

28 NOV

Unaudited interim results for the 3rd Quarter ended 30 September 2017.

DECLARATION OF DIVIDEND PAYMENT

16 FEB

Fourth interim single-tier dividend of 2.0 sen per ordinary share in respect of the financial year ended 31 December 2016, paid on 31 March 2017.

22 MAY

First interim single-tier dividend of 2.0 sen per ordinary share in respect of the financial year ended 31 December 2017, paid on 14 July 2017.

16 AUG

Second interim single-tier dividend of 2.0 sen per ordinary share in respect of the financial year ended 31 December 2017, paid on 21 September 2017.

28 NOV

Third interim single-tier dividend of 2.0 sen per ordinary share in respect of the financial year ended 31 December 2017, paid on 10 January 2018.

5-YEAR FINANCIAL HIGHLIGHTS

	2013 RM MIL	2014 RM MIL	2015 RM MIL	2016# RM MIL	2017 RM MIL
PROFITABILITY					
Revenue	281.8	353.9	410.9	304.9	368.6
EBITDA(i)	71.1	373.0	196.0	130.9	101.0
Profit Before Taxation	39.1	317.2	109.7	84.9	49.7
Profit for the Financial Year	25.1	303.2	91.6	93.3	42.1
KEY AMOUNTS IN THE STATEMENT OF FINANCIAL POSITION					
Total Assets	1,050.9	2,797.9	2,914.5	2,456.0	2,371.7
Total Borrowings	336.3	741.1	827.0	486.4	416.7
Total Shareholders' Equity	605.6	851.8	1,146.6	1,121.0	1,053.5
No of Shares in issue	1,091.2*	1,091.2*	1,209.5	1,209.5	1,209.5
BREAKDOWN OF REVENUE AND PROFIT BEFORE TAXATION					
Revenue					
- water treatment, supply and distribution	149.9	175.8	175.5	169.5	226.0
- waste management @	47.1	55.0	70.7	-	-
- construction	84.0	99.3	101.9	39.6	51.7
- toll highway	-	23.2	62.8	92.7	85.6
- others	0.8	0.6	0.0	3.0	5.3
	281.8	353.9	410.9	304.9	368.6
Profit Before Taxation					
- water treatment, supply and distribution	60.0	63.9	71.1	44.8	35.6
- waste management @	(23.0)	(9.9)	(18.2)	-	-
- construction	4.1	5.5	5.6	2.6	2.8
- toll highway	-	(1.7)	12.2	24.2	27.7
- others	(11.2)	254.5	38.9	0.7	(20.3)
	29.9	312.3	109.6	72.3	45.8
- share of results of joint venture	10.0	3.8	(0.9)	0.3	2.7
- share of results of associates	(0.8)	1.1	1.0	12.2	1.2
	39.1	317.2	109.7	84.9	49.7
KEY FINANCIAL RATIO					
Gross dividend per share (sen)	0.40*	2.00*	8.00	8.00	8.00
Net Assets per share (sen)	55.49*	78.06*	94.80	92.68	87.11
Earnings per share (sen)					
- basic	2.57*	27.61*	7.76	10.54+	2.40
- fully diluted	2.57*	27.60*	7.75	10.54+	2.40
Return on Equity (%)(ii)	4.28	41.60	9.16	13.07++	3.87
Return on Assets Employed (%)(iii)	2.47	15.75	3.21	5.52++	1.74
Dividend payout ratio (%)(iv)	17.40	7.20	100.62	65.32++	229.94
Net Debt to Equity ratio (%)	44.06	44.88	33.43	13.89	19.22

* *adjusted for the effects of a subdivision of five new shares of RM0.20 each for every two shares of RM0.50 each (implemented in FY15)*

\# *except for the Key Financial Ratio, the financial information of FY16 exclude the results from discontinued operations.*

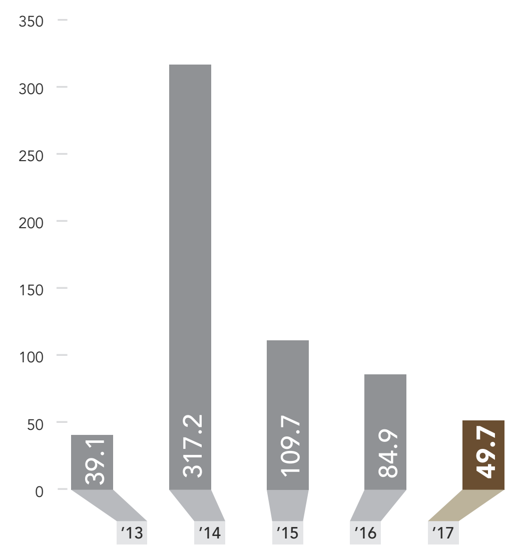
@ *represents the contribution from the waste management segment which has been disposed in FY16.*

\+ *calculated on profit attributable to owners of the Company of RM127.428 million.*

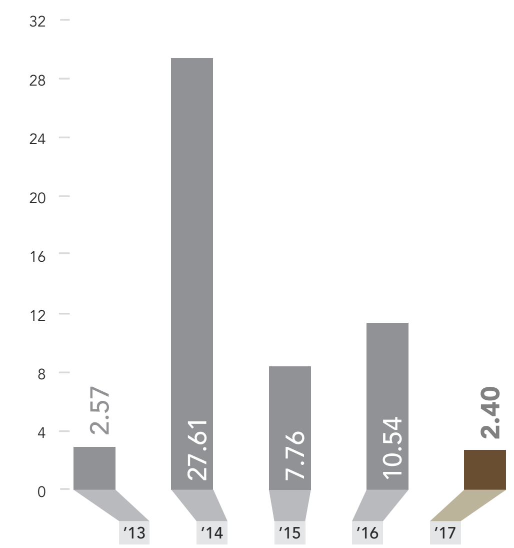
++ *calculated on profit for the financial year of RM148.135 million including profit from discontinued operations.*

5-YEAR FINANCIAL HIGHLIGHTS

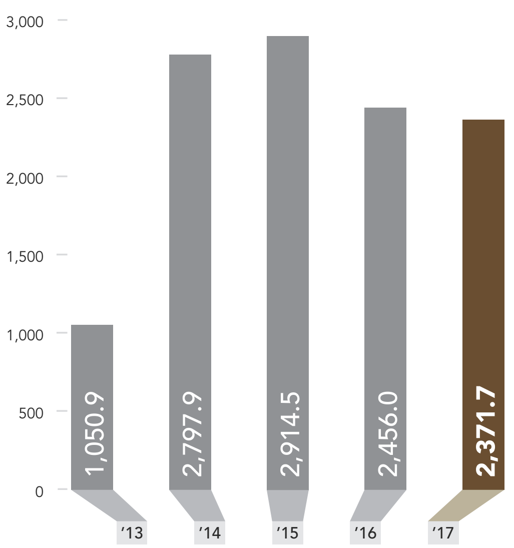
PROFIT BEFORE TAXATION
(RM'million)



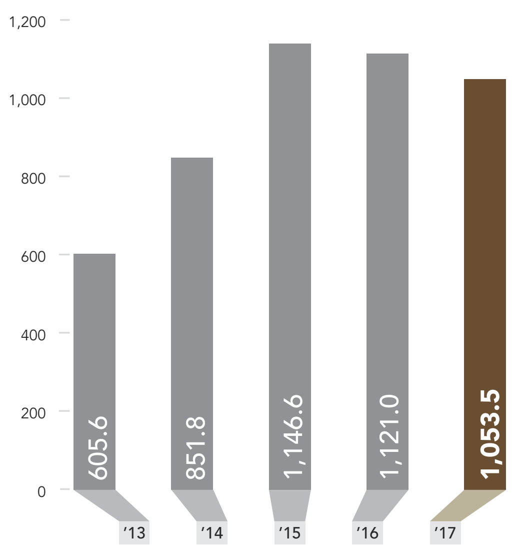
BASIC EARNINGS PER SHARE
(Sen)



TOTAL ASSETS
(RM'million)



SHAREHOLDERS' EQUITY
(RM'million)



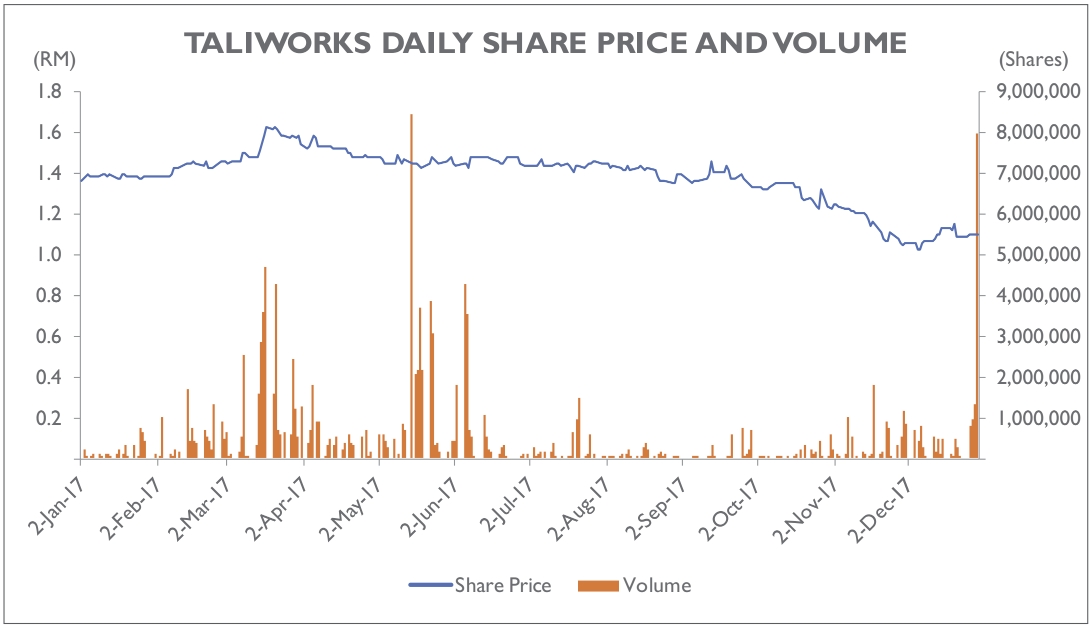
(i) EBITDA is defined as earnings before finance costs, taxation, depreciation and amortisation costs (and excludes share of results of associate and joint venture).

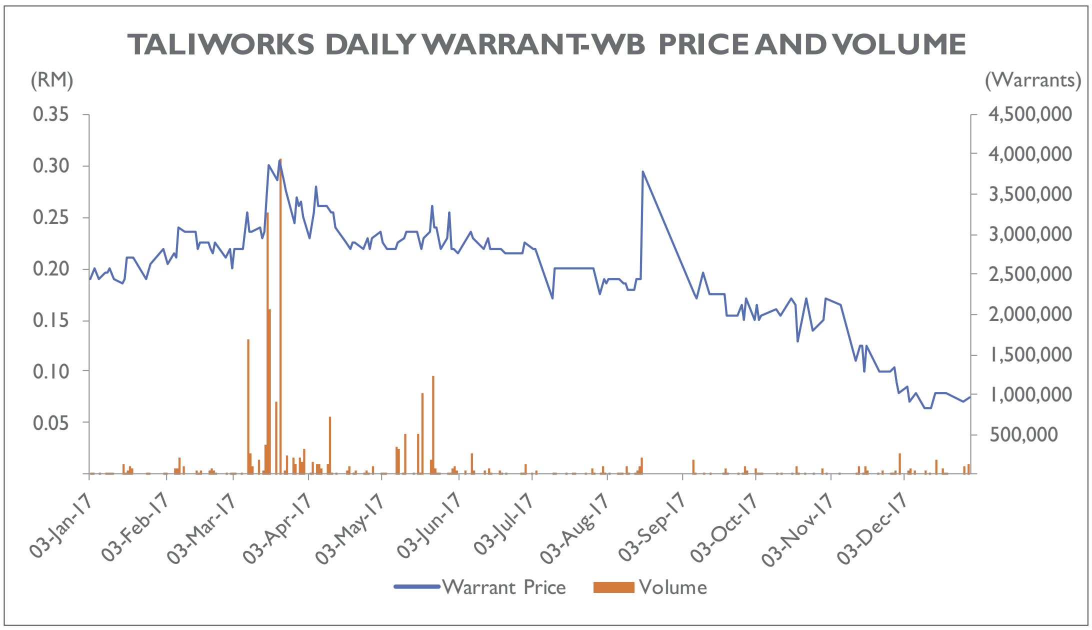
(ii) Return on Equity is calculated by dividing the profit for the financial year with the average of the opening and closing shareholders' equity.

(iii) Return on Assets Employed is calculated by dividing the profit for the financial year with the average of the opening and closing total assets employed.

(iv) Dividend payout ratio is calculated by dividing the total net dividends for the particular financial year with the profit for the financial year.

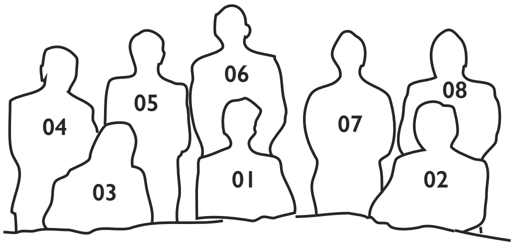
SHARE & WARRANT PERFORMANCE HIGHLIGHTS





BOARD OF DIRECTORS

01	Tan Sri Dato' Seri Ong Ka Ting
02	Dato' Lim Yew Boon
03	Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin
04	Encik Ahmad Jauhari Bin Yahya
05	Dato' Sri Amrin Bin Awaluddin
06	Mr. Vijay Vijendra Sethu
07	Mr. Lim Chin Sean
08	Mr. Soong Chee Keong



DIRECTORS' PROFILES

TAN SRI DATO' SERI ONG KA TING
Chairman/ Senior Independent Non-Executive Director

Nationality / Age / Gender
Malaysian / 61 / Male

Date of appointment
16 April 2014

Tan Sri Dato' Seri Ong Ka Ting serves as a Chairman of the Nominating Committee. On 13 February 2018, he resigned as the Chairman of the Remuneration Committee.

Tan Sri Dato' Seri Ong holds a Bachelor of Science (Honours) Degree and a Diploma in Education from University of Malaya, Malaysia. He also holds an Honorary Doctor of Laws Degree from Campbell University in December 2008.

He is currently the Chairman of the Malaysia-China Business Council. He has held various senior appointments in the Malaysian Government Administration from November 1986 until his retirement in March 2008 including the positions of Parliamentary Secretary for the Ministry of Health, Parliamentary Secretary for the Ministry of Home Affairs, Deputy Minister for the Ministry of Home Affairs and Minister for the Ministry of Housing and Local Government. He was the President of Malaysian Chinese Association from 2003 to 2008, Chairman of Tunku Abdul Rahman College Council from June 2004 to September 2011 and Member of Parliament for Pontian, Tanjong Piai and Kulai constituencies in Johor since October 1990 to April 2013. He was appointed as the Malaysian Prime Minister's Special Envoy to the People's Republic of China from November 2011 to December 2017.

He has no family relationship with any directors and/or major shareholders of the listed issuer and has no conflict of interests with the listed issuer. He has not been convicted for any offences within the past 5 years and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

He has attended all the Board meetings held during the financial year of the Company.

DATO' LIM YEW BOON
Executive Director

Nationality / Age / Gender
Malaysian / 59 / Male

Date of appointment
1 March 2010

Dato' Lim Yew Boon holds a diploma in Civil Engineering and started his career in the field of construction with consultant engineers. With over twenty five years of varied corporate and management experience, he has wide in-depth exposure in various key industries covering construction, manufacturing, property development and public utilities.

Apart from Taliworks, Dato' Lim also sits on the boards of Amalgamated Industrial Steel Berhad, a company listed on the Main Market of Bursa Malaysia Securities Berhad, as an Executive Director and several private limited companies, namely Grand Saga Sdn Bhd, SWM Environment Sdn Bhd and a few others. Prior to his appointment to the Board, he served as the Group Chief Operating Officer in the LGB Group of Companies.

Dato' Lim is the cousin to both Mr. Lim Chin Sean, a director and major shareholder of the Company and Dato' Lim Chee Meng, another major shareholder of the Company. He has no conflict of interest with the listed issuer and has not been convicted for any offences within the past 5 years other than traffic offences. He has no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

Dato' Lim has attended all the Board meetings held during the financial year of the Company.

RAJA DATUK ZAHARATON BINTI RAJA DATO' ZAINAL ABIDIN

Independent Non-Executive Director

Nationality / Age / Gender
Malaysian / 69 / Female

Date of appointment
2 July 2015

Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin was re-designated as Chairman of the Remuneration Committee on 13 February 2018.

Raja Datuk Zaharaton holds a Bachelor Degree in Economics from University of Malaya and a Masters in Economics in 1979 from the University of Leuven, Belgium.

She has served the Government of Malaysia in various capacities for 34 years from 1971 to 2005. Principally her main task has been policy analyses and financial evaluation. Her last post in Government was Director General of the Economic Planning Unit (EPU), Prime Minister's Department.

Upon retirement, the Government of Malaysia appointed her as Chairman of Technology Park Malaysia Corporation Sdn Bhd from January 2006 to December 2008. Subsequent to that, the Government appointed her as Chairman of Ninebio Sdn Bhd from January 2009 for a two year period. She was appointed as Chairman of Global Maritime Ventures Berhad, a subsidiary of Bank Pembangunan Malaysia Berhad from June 2014 to April 2017. She was appointed as the director of Yinson Holdings Berhad on 11 August 2016.

She also currently sits on the boards of Media Prima Berhad's subsidiaries namely, Big Tree Outdoor Sdn Bhd and Primeworks Studios Sdn Bhd. She is also a Director of her family owned company Kumpulan RZA Sdn Bhd and its subsidiary Raza Sdn Bhd.

She has no family relationship with any directors and/or major shareholders of the listed issuer and has no conflict of interests with the listed issuer. She has not been convicted for any offences within the past 5 years and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

She has attended four (4) out of six (6) Board meetings held during the financial year of the Company.

ENCIK AHMAD JAUHARI BIN YAHYA

Independent Non-Executive Director

Nationality / Age / Gender
Malaysian / 63 / Male

Date of appointment
2 July 2015

Encik Ahmad Jauhari Bin Yahya serves as a member of the Nominating Committee of the Company.

Encik Ahmad Jauhari holds a Bachelor of Science (Hons) Degree in Electrical and Electronic Engineering from University of Nottingham, United Kingdom.

He started his career with ESSO Malaysia Berhad (1977-1979) and worked in The New Straits Times Press (M) Berhad (1979-1991), Time Engineering Berhad (1992) and Malaysian Resources Corporation Berhad (1993). In 1994, he joined Malakoff Berhad to lead its growth to become Malaysia's leading independent power producer. He retired from Malakoff in 2010.

He was appointed Group Chief Executive Officer of Malaysia Airlines on 19 September 2011 and was a member of the Board Tender Committee and sat on the boards of several subsidiaries within the Malaysia Airlines group of companies. He resigned as the Group Chief Executive Officer and directors of subsidiaries of Malaysia Airlines in April 2015 but remains as a director in Malaysia Airlines until 31 December 2015. He became a Director of Malaysia Airport Holdings Berhad ("MAHB") and Chairman of Destination Resorts and Hotel Sdn Bhd prior to his appointment at Malaysia Airlines. He resigned from MAHB in 2011.

He has no family relationship with any directors and/or major shareholders of the listed issuer and has no conflict of interests with the listed issuer. He has not been convicted for any offences within the past 5 years other than traffic offences and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

He has attended all the Board meetings held during the financial year of the Company.

DIRECTORS' PROFILES

DATO' SRI AMRIN BIN AWALUDDIN
Independent Non-Executive Director

Nationality / Age / Gender
Malaysian / 51 / Male

Date of appointment
15 September 2014

Dato' Sri Amrin Bin Awaluddin serves as a member of the Audit and Risk Management Committee of the Company.

Dato' Sri Amrin holds a Bachelor of Business Administration (Honours) from Acadia University, Canada and Master of Business Administration (Finance) with Distinction from University of Hull, England. He is a member of the Chartered Institute of Management Accountants, United Kingdom.

He is the Group Managing Director of Sime Darby Property Berhad since 1 September 2017.

Prior to joining Sime Darby Property Berhad, he was the Group Managing Director of Media Prima Berhad. Throughout his working career he holds several key positions at Amanah Merchant Bank Berhad, Renong Berhad, Malaysia Resources Corporation Berhad and Putera Capital Berhad.

He is the Deputy President of Kuala Lumpur Business Club (KLBC), a Board Advisor of Pusat Sains Negara, Board Members of Yayasan Kelana Ehsan and Enactus Education Foundation.

Dato' Sri Amrin sits on the board of Sime Darby Property Berhad (appointed since 2017). He is also a member of the board of CIMB Bank Berhad (appointed since 2014).

He has no family relationship with any directors and/or major shareholders of the listed issuer and has no conflict of interests with the listed issuer. He has not been convicted for any offences within the past 5 years other than traffic offences and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

He has attended five (5) out of six (6) Board meetings held during the financial year of the Company.

MR. VIJAY VIJENDRA SETHU
Non-Independent Non-Executive Director

Nationality / Age / Gender
Australian / 54 / Male

Date of appointment
16 April 2014

Mr. Vijay Vijendra Sethu serves as a member of the Nominating Committee.

Mr. Sethu holds a Master of Business Administration from Auckland University. He is a fellow of the Chartered Association of Certified Accountants, United Kingdom, an associate of the New Zealand Society of Chartered Accountants and a graduate of the Chartered Institute of Management Accountants, United Kingdom.

Mr. Sethu has over 30 years' experience in investment banking industry across Asia, Australia, United Kingdom and the Americas. Currently, Mr. Sethu is a non-independent non-executive Chairman/ Director of the 4 Fingers Group of Companies headquartered in Singapore.

He was formerly an independent Chairman/ Director of International Medical University, a board member of Malakoff Berhad, Cerah Sama Sdn. Bhd., Don Muang Tollway and Infraco Asia. He was also formerly the founding CEO of CSSAA, an emerging markets focused infrastructure fund manager, an Executive Director and Head of Project and Structured Finance for Asia for ANZ Investment Bank, Singapore, the Vice President and Head of Mergers and Acquisitions for Enron Asia Pacific, Singapore. He was also formerly an employee of ANZ Investment Bank in Melbourne, London and New York focusing on infrastructure and resource project financing, KPMG in New Zealand, Exxon in Malaysia and lectured on accountancy and finance in a Malaysian college.

Mr. Sethu is a substantial shareholder of the Company. He has no family relationship with any directors and/or major shareholders of the listed issuer and has no conflict of interests with the listed issuer. He has not been convicted for any offences within the past 5 years other than traffic offences and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

He has attended all the Board meetings held during the financial year of the Company.

MR. LIM CHIN SEAN
Non-Independent Non-Executive Director

Nationality / Age / Gender
Malaysian / 36 / Male

Date of appointment
23 May 2011

Mr. Lim Chin Sean serves as a member of the Audit and Risk Management Committee of the Company. On 13 February 2018, he was appointed as a member of Remuneration Committee.

Mr. Lim holds a Bachelor of Computer System Engineering Degree (Honours) from University of Kent, United Kingdom.

He joined the LGB Group of Companies since September 2003 and is currently involved in property development, construction projects, manufacturing and IT advisory services.

He presently sits on the boards of Amalgamated Industrial Steel Berhad, as an Executive Director and several private limited companies.

Mr. Lim is a major shareholder of the Company and cousin to Dato' Lim Yew Boon, the Executive Director of the Company. He is also the younger brother of Dato' Lim Chee Meng, a major shareholder of the Company. He has a conflict of interest with the Company as he is a director and major shareholder of LGB Engineering Sdn Bhd ("LGBE"), which is involved in the construction industry. LGBE has a 0.06% in the Company.

He has not been convicted for any offences within the past 5 years other than traffic offences and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

He has attended all the Board meetings held during the financial year of the Company.

MR. SOONG CHEE KEONG
Independent Non-Executive Director

Nationality / Age / Gender
Malaysian / 48 / Male

Date of appointment
25 April 2013

Mr. Soong Chee Keong serves as a Chairman of the Audit and Risk Management Committee and as a member of the Remuneration Committee of the Company.

Mr. Soong is the member of the Association of Chartered Certified Accountants and the Malaysian Institute of Accountants.

He started his career in financial audit in 1993 at BDO Binder. In 1995, he joined the Corporate Finance Department of Bumiputra Merchant Bankers Berhad and was involved in advising on mergers and acquisitions, initial public offers, equity restructuring and project feasibility studies.

Mr. Soong then joined Abric Berhad in February 1999 as the General Manager of Corporate Finance and was subsequently appointed to the Board of Abric Berhad on 16 February 2000 as an Executive Director. He resigned from the said company on 31 May 2017.

He also sits on the board of Wonderful Wire & Cable Berhad, a non-listed public company.

He has no family relationship with any directors and/or major shareholders of the listed issuer and has no conflict of interests with the listed issuer. He has not been convicted for any offences within the past 5 years other than traffic offences and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

He has attended all the Board meetings held during the financial year of the Company.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors ("the Board") of Taliworks Corporation Berhad ("Taliworks" or "the Company"), it is my pleasure to present to you our Annual Report and Audited Financial Statements of the Company and its subsidiaries ("the Group") for the financial year ended 31 December 2017 ("FYE2017").

The domestic economy in Malaysia improved in 2017, despite its susceptibility to the ongoing unpredictability of commodity prices, economic policy uncertainties and geopolitical movements. The economic growth has gained momentum with annual GDP growth recorded at 5.9%, boosted by strong domestic and external demand. According to the recent annual report released by the central bank, Malaysia's economy is anticipated to grow at between 5.5% to 6.0% in 2018, underpinned by robust domestic demand and improving exports on the back of a global economic recovery.

Looking ahead, I am very much delighted to announce that Taliworks has achieved yet another year of good operational performance, grounded by our core businesses, predominantly in our three long-term concession assets in (i) water treatment, supply and distribution, (ii) highway toll concessions, and (iii) waste management businesses.

Financially, our Group reported a higher revenue of RM368.6 million as compared to the revenue achieved last year of RM304.9 million. However, Profit After Tax ("PAT") was lower at RM42.1 million, compared to last year's PAT of RM148.1 million. This was mainly due to the one-off profit from discontinued operations, net of tax, of RM54.8 million from the disposal of the waste management business in China and foreign currency gains of RM17.7 million in the financial year ended 31 December 2016, and the lower contribution from associates and higher operating costs in the water treatment operations in FYE2017. Whilst I am pleased with our operational performance, we will need to increase our efforts to improve our financial performance.

WE REMAIN STEADFAST IN OUR COMMITMENT TO CONTINUE DELIVERING SUSTAINABLE PROFITS, AS WELL AS LONG-TERM VALUE TO OUR SHAREHOLDERS.

We are disappointed with the on-going delay in completing the Selangor water restructuring deal. There have been a series of extensions with the latest deadline now being to 4 July 2018. The sum of outstanding payments owed by SPLASH continues to mount and as at 31 December 2017, the gross balance stood at RM616.3 million. We look forward to the issue being resolved this year, as the payment of the receivables will have a significant impact on our cash flow position.

On another note, I am proud to share that Taliworks was recognised by the Minority Shareholders Watchdog Group ("MSWG") as one of the Top 100 Companies with high standards of corporate governance last year. The recognition was awarded based on our adherence to high standards of corporate governance. Details of our corporate governance outline can be found under our Corporate Governance Report.

As a responsible corporate citizen, we are also increasingly aware of the need for sustainability initiatives to be integrated into our business model. Hence, the formulation of Taliworks' Sustainability Steering Committee – established last year with the purpose of facilitating Environmental, Social and Governance ("ESG") communication between the working level and top management to drive our business towards more sustainability-aligned goals. We endeavour to continuously meet our consumers' demands for environmentally friendly practices and to respect and serve the interests of both our internal and external stakeholders, namely our shareholders, employees, consumers, suppliers, associate and/or business partners and the communities at large. We will continue to enhance our corporate reputation and standing through our business sustainability and environmental stewardship initiatives and working for the betterment of all our stakeholders in the long run.

CHAIRMAN'S STATEMENT

OUR AIM IN TALIWORKS IS TO CONTINUOUSLY ADVOCATE SUSTAINABILITY CREATION AND CONTINUOUS GROWTH.

GROWING LONG-TERM SHAREHOLDERS' VALUE

We acknowledge the importance of striking a balance between the interests of our businesses and our shareholders. As such, we remain steadfast in our commitment to continue delivering sustainable profits, as well as long-term value to our shareholders. As a measure to reward our shareholders for their continued support and confidence in us, the Group has consistently paid dividends of 2 sen per share in every quarter for the year under review. This amounted to a total dividend payout of 8 sen per share, which is equivalent to RM96.8 million for the year.

We would not be able to achieve such dividend payout if not for our operational performance and our recent shift in our business strategy that resulted in a one-off gain from the disposal of the waste management business in China. While the Group has made good progress in the past years, we will continue to target any potential earnings-accretive investment opportunities that will further enhance both our profitability and dividend payouts. At the same time, we hope that the SPLASH issue will be amicably resolved by this year, with our outstanding receivables adequately addressed to sustain our current dividend.

FUTURE GROWTH

Our aim in Taliworks is to continuously advocate sustainability creation and continuous growth. Our strategy is underpinned by our dedication towards our clear and focused business goals as we leverage on our solid business foundation.

In view of this, our Group is constantly exploring potential value-accretive opportunities, particularly in the mature operational cash-generating utilities/infrastructure businesses in Malaysia and developed markets in overseas that will provide the Group new income streams with recurring and stable sources of cash flow.

Having a solid business foundation, backed by three strong components, namely our (i) mature operational assets, (ii) sound balance sheet and (iii) partnership with EPF, we are confident that our growth-oriented Group will be able to reach our goal as a pure-play infrastructure player. We will ensure that our business strategy is engineered towards generating sustainable growth across all our existing businesses and through any potential earnings-accretive investment in the near future. I look forward to continuously strengthening and enhancing our businesses by unlocking the Group's potential value as we move forward.

ACKNOWLEDGEMENT

I would like to convey my deepest appreciation and gratitude to my fellow Board Members and management for their invaluable guidance and outstanding leadership in leading the Group to where it is today. I would also like to recognise the tireless efforts of the highly effective management team and our pool of talented employees for their diligence, dedication, passion and professionalism in achieving our goals. We are very fortunate to have the right set of skills, talent and agility to realise our goals and aspirations.

Last but not least, on behalf of the Board, I would like to take this opportunity to acknowledge the continued confidence and encouragement from all our stakeholders; our shareholders, customers, suppliers, business partners, regulatory authorities and financiers for their unwavering support and trust in Taliworks. We will continue to build our skills and expertise to further enhance the returns and values for all our stakeholders in our push for growth.

Thank you.

Tan Sri Dato' Seri Ong Ka Ting
Senior Independent Non-Executive Chairman

OUR STRATEGY IS UNDERPINNED BY OUR DEDICATION TOWARDS OUR CLEAR AND FOCUSED BUSINESS GOALS AS WE LEVERAGE ON OUR SOLID BUSINESS FOUNDATION.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF FINANCIAL PERFORMANCE

For the financial year ended 31 December 2016, the Group disposed of its entire waste management business in the People's Republic of China ("Discontinued Operations"), netting an exceptional one-off gain of RM54.84 million. For that year, the results of the Group reflected the financial performance from both the Continuing and Discontinued Operations.

The following is a summary of the Group's financial performance for the financial year ended 31 December 2017 as compared to the financial year ended 31 December 2016: -

	2016	2017
Financial Results *(in RM'000)*		
Continuing Operations		
Revenue	304,856	368,640
Operating Profit	95,498	68,378
Profit before tax	84,902	49,727
Profit for the year	93,293	42,080
Discontinued Operations – for the period from 1 January 2016 to 17 May 2016		
Revenue	27,562	-
Operating Loss	(1,590)	-
Loss before tax	(10,432)	-
Loss for the year	(10,944)	-
Profit for the year segregated into: -		
- Continuing Operations	93,293	42,080
- Discontinued Operations	54,842#	-
Total	148,135	42,080

Profit for the year is arrived at after accounting for the gain on disposal of the Discontinued Operations of RM65.786 million

	2016	2017
Financial Position		
(in RM'000)		
Total Assets Employed	2,456,039	2,371720
Shareholders' Equity	1,120,972	1,053,534
Key Financial Ratio		
Basic EPS (sen)	10.54	2.40
Net Asset per Share (sen)	92.67	87.11
Return on Equity (%)	13.1*	3.9
Return on Assets Employed (%)	5.5*	1.7
Net Debt-to-Equity (%)	13.9	19.2

* *calculated based on Profit for the year including Profit from Discontinued Operations*

The Return on Equity is calculated by dividing the Profit for the year with the average of the opening and closing balance of Shareholders' Equity.

The Return on Assets Employed is calculated by dividing the Profit for the year with the average of the opening and closing balance of Total Assets Employed.

Overall Summary of Financial Results

For the current financial year, the Group posted revenue of RM368.64 million, up from RM304.86 million in the previous year while profit for the year came in at RM42.08 million, which was a substantial decrease from RM148.14 million recorded a year ago. Revenue for the year was recognised as a net amount after taking into account a provision for discounting on a deferred payment consideration of RM6.23 million (2016: RM62.32 million) arising from the delay in collection of trade receivables from Syarikat Pengeluar Air Sungai Selangor Sdn. Bhd. ("SPLASH").

Basic and diluted earnings per share stood at 2.40 sen/share (2016: 10.54 sen/share) with Continuing Operations contributing 2.40 sen/share (2016: 6.23 sen/share) and Discontinued Operations contributing NIL sen/share (2016: 4.31 sen/share).

MANAGEMENT DISCUSSION AND ANALYSIS

Commentary on the Performance of Revenue of the Group - Continuing Operations

For the current financial year, the Group's revenue (excluding the provision for discounting on a deferred payment consideration) increased from RM367.17 million to RM374.87 million or by 2.1%, mainly attributable to higher contribution from the construction division which saw the division record a revenue of RM51.74 million compared to RM39.63 million a year ago. After taking into account the impact from the provision for discounting on a deferred payment consideration, the Group's reported revenue stood at RM368.64 million (2016: RM304.86 million), a jump of RM63.78 million as a result of a lower provision for discounting on a deferred payment consideration of RM6.23 million (2016: RM62.32 million). The contribution of revenue from each of the business divisions (except for the waste management division and a joint venture company involved in the toll highway, both of which are equity accounted) is tabulated below as follows:-

	2016 RM'000	2017 RM'000
Water treatment, supply and distribution	231,829	232,220
Construction	39,626	51,740
Toll highway	92,672	85,647
Others	3,047	5,265
	367,174	374,872
Less: Provision for discounting on a deferred payment consideration	(62,318)	(6,232)
	304,856	368,640

The lower provision for discounting on a deferred payment consideration in the current financial year was attributable to the adoption on a new basis, where repayments from SPLASH were applied to settle current billings over the older billings, whereas previously repayments were applied to settle older billings over the current billings. The adoption of this basis resulted in a lower provision being required to discount receivables to be set-off against revenue. Correspondingly, a higher provision for discounting of receivables was to be recognised in administrative and other expenses, as opposed to the previous basis, where higher provision for discounting on receivables was included in the revenue and a reversal of discounting of receivables was recognised as other operating income. As a result of this, revenue and administrative and other expenses for the current year were higher than the corresponding year, whereas other operating income was lower than the corresponding year. This was reflected in the financial results for the current year where other operating income was stated at RM8.30 million (2016: RM42.13 million) and administrative and other expenses reported at RM94.28 million (2016: RM43.69 million).

At the operating level, revenue from the water treatment, supply and distribution business recorded an increase from RM231.83 million in the previous year to RM232.22 million, reflecting a marginal increment of 0.2%. Despite the lower metered sales experienced in both the water treatment operations, this segment was still able to register an increase in the revenue due to higher electricity and chemical rebates. For the Sungai Selangor Water Treatment Works Phase I ("SSP1") operated by Sungai Harmoni Sdn. Bhd. ("Sungai Harmoni"), metered sales were lower by 0.7% from 366.45 million m^3 to 363.90 million m^3. The Langkawi operations operated by Taliworks (Langkawi) Sdn. Bhd. ("Taliworks Langkawi"), also reported lower metered sales by 2.4% i.e. from 20.27 million m^3 to 19.78 million m^3 in the current financial year under review. The total revenue from the water treatment, supply and distribution business of RM232.22 million (2016: RM231.83 million) comprised of RM172.42 million (2016: RM171.47 million) from Sungai Harmoni and RM59.80 million (2016: RM60.36 million) from Taliworks Langkawi, each representing 74% and 26%

respectively. There were no increases in the Bulk Sale Rate ("BSR") during the year. Instead, the increase took effect on 1 January 2018 from RM0.42/m^3 to RM0.44/m^3 for SSP1, and from RM2.15/m^3 to RM2.24/m^3 for the Langkawi operations. As in prior years, the water treatment, supply and distribution business continues to be the biggest contributor to the revenue of the Group, accounting for close to 62% (2016: 63%) of the Group's total revenue, before taking into account the impact of the provision for discounting on a deferred payment consideration.

For the construction division, revenue was higher by RM12.11 million from RM39.63 million in the previous year to RM51.74 million in the current year from the on-going projects. This division contributed close to 14% of the Group's total revenue.

The revenue contribution from the toll highway division is derived solely from a 51% indirect subsidiary, Grand Saga Sdn. Bhd. ("Grand Saga"), which operates the Cheras-Kajang Highway. Revenue was lower at RM85.65 million compared to RM92.67 million achieved in the previous year, primarily due to the receipt of toll compensation in year 2016 from the Federal Government of RM9.54 million. The toll compensation arose as a result of the deferment of toll rate hike, which was to commence on 1 January 2015, but was subsequently deferred to 15 October 2015. The total revenue of RM85.65 million comprised of revenue from toll highway contributing RM68.97 million (2016: RM65.84 million) and receipt from government compensation amounted to RM16.68 million (2016: RM26.83 million).

Commentary on Performance of the Profit of the Group - Continuing Operations

	2016 RM'000	2017 RM'000
Water treatment, supply and distribution	44,862	35,632
Construction	2,645	2,824
Toll highway	45,175	48,709
Others	2,816	(18,787)
Operating profit	95,498	68,378
Finance cost	(23,152)	(22,584)
Share of results of joint venture	318	2,748
Share of results of associates	12,238	1,185
Profit before tax	84,902	49,727

Profit before tax came in considerably lower at RM49.73 million compared to RM84.90 million a year ago, due to several factors, namely losses incurred on foreign exchange (both realised and unrealised) amounting to RM7.73 million, as compared to a net gain on foreign exchange of RM17.65 million in the corresponding period, lower contribution from share of profits from associates and higher operating costs in both of the water treatment operations. In the previous year 2016, the Group held USD32.72 million which had since been substantially converted to Malaysian Ringgit ("MYR") for payment of dividends and working capital requirements. As at the end of the financial year 2017, the Group held a balance of approximately USD5.46 million, which was fully converted to MYR in year 2018. The holding of USD was from the proceeds raised in year 2016 of USD54.6 million, as a result of the disposal of the Group's entire waste management business in China. Against the Malaysian Ringgit, the USD has weakened significantly by almost 10% to USD1.00/RM4.05 (closing rate as quoted from BNM's website) as at the end of the year from USD1.00/RM4.49 twelve months earlier.

MANAGEMENT DISCUSSION AND ANALYSIS

In terms of the segmental performance, the water treatment, supply and distribution division contributed an operating profit of RM35.63 million (2016: RM44.86 million). However, stripping out the effects of the discounting on the deferred payment consideration, the operating profit would be RM87.12 million (2016: RM94.32 million). Despite the higher revenue for the year, the profitability of the division was impacted by higher unit electricity costs due to the increases in TNB's Special Industrial Tariff, which commenced in January 2017, higher rehabilitation and maintenance costs, increases in unit chemical costs and late penalty charged on outstanding electricity billings.

In arriving at the provision for discounting on a deferred payment consideration for the year, the Group has made several critical assumptions on the timing of payment from SPLASH on the gross amount outstanding of RM616.30 million (2016: RM502.19 million), reflecting an increase of RM114.11 million over a period of twelve months. Further details on the critical assumptions made can be found in Note 25 to the Financial Statements. Over the same period, the total payment received by Sungai Harmoni from SPLASH amounted to RM68.64 million (2016: RM76.88 million). The amount owed by SPLASH has been continuously escalating due to only partial payments being made to Sungai Harmoni from SPLASH. Since July 2016, the quantum of payments from SPLASH had been reduced from about 60% to approximately 34% to 38% of monthly billings with no indication whether the quantum will be increased or decreased in the future. The Group has had discussions with the Selangor Economic Planning Unit, Pengurusan Air Selangor Sdn. Bhd. and SPLASH, collectively and/or individually, to reach a possible settlement on the amount due from SPLASH. Whilst several settlement terms have been discussed, right up to the third quarter of 2017, no final terms have been concluded. The conclusion of the Selangor water restructuring exercise will most likely pave the way for the amount owing by SPLASH to be addressed. However, if this issue is addressed only in 2018, the final terms of payment from SPLASH will have a material impact to the financial results of the Group either favourably or otherwise. As at the end of the financial year, the total accumulated provision for discounting of receivables made was approximately RM175.60 million (2016: RM124.12 million), representing almost 28% of the gross receivable from SPLASH. If the amount due from SPLASH can be addressed following the conclusion of the Selangor water restructuring exercise, the Group will potentially recognise back the accumulated provision for discounting of receivables into the income statement, based on the assumption that the amount due from SPLASH is paid in full, without any deductions and no deferment of period over time.

As with the previous year, the possible outcomes from the Selangor water restructuring exercise still remain uncertain and is extremely difficult to ascertain what is the likely outcome. Therefore, should this issue remain unresolved, Sungai Harmoni's financial position in clearly untenable, especially if the quantum of the monthly payments of 34% to 38% does not improve considerably. Consequently, this will have an adverse impact on the operations of Sungai Harmoni as the company will be hard pressed to fulfil its payment obligations to its major suppliers, particularly the suppliers of electricity and chemicals and provision of services for rehabilitation, upkeep and maintenance. As this is a significant issue to the financial results, the Auditors have placed an emphasis of matter in their report on the uncertainty over the collectability of the amount due from SPLASH, as well as highlighted the assessment of the carrying amount of the trade receivable due to uncertainty over the collectability as a Key Audit Matter in their report to shareholders.

The construction division, meanwhile, contributed RM2.82 million, marginally higher than the RM2.64 million achieved last year. Although the revenue has increased substantially during the current financial year, the operating profit squeezed by competitively priced margins, was impacted from higher overheads, specifically from staff incentives incurred to secure projects.

As for the toll highway division, whilst revenue was lower for the year as a result of toll compensation of RM9.54 million received by Grand Saga in 2016, operating profit was higher at RM48.71 million compared to RM45.18 million in the previous year. This was primarily attributable to the recognition of write-back of over-provision for heavy repairs in the fourth quarter of 2017 due to deferment of the schedule of major heavy repairs from 2018 to 2021, based on its re-assessment of pavement conditions at the Cheras-Kajang Highway following the substantial pavement repair works undertaken by MRT Corporation, upon completion of the Klang Valley Mass Rapid Transit Line 1 in July 2017.

The Group's share of results of associates amounting to RM1.19 million was markedly lower than the RM12.24 million recorded in the previous year. The Group's share of results from associates is principally in respect of its 35% equity investment in SWM Environment Holdings Sdn. Bhd. ("SWMH"). Following the completion of the acquisition of SWMH in May 2016, the Group equity accounted for the results of SWMH. Although the profit contribution commenced from the date of completion of the acquisition, the share of results of SWMH for the current twelve months was at a loss at RM0.2 million compared to RM11.3 million in the corresponding year. This is mainly attributable to lower PAT recorded by SWMH due to lower revenue, higher depreciation and financing cost, as well as higher amortisation of its concession assets. For the year ended 2017, SWMH reported an audited PAT of RM148.4 million compared to RM193.3 million achieved a year ago.

On the other hand, the Group's share of results from joint ventures amounting to RM2.75 million was comparatively higher than the RM0.32 million recorded in the previous year. The Group's share of results from joint venture is in respect of its investment in Grand Sepadu (NK) Sdn. Bhd. ("Grand Sepadu"), which operates the New North Klang Straits Bypass Expressway ("NNKSB Expressway"). In October 2017, Grand Sepadu received a cash compensation of RM8.125 million from the Government of Malaysia for non-increase in toll rate hike scheduled on 1 January 2016. The compensation was in respect of the balance of the compensation receivable for the year 2016 and a 50% advance compensation for 2017.

Statement of Financial Position

As at the end of the financial year, the Group's net assets per share decreased to RM0.8711 from RM0.9269 a year ago principally from the depletion of cash reserves used to reward shareholders with dividends. For the year, dividends paid out amounted to approximately RM72.57 million (2016: RM96.76 million) with another RM24.19 million paid in January 2018. The dividends paid by the Company were derived from the dividend income and management fees received from the toll highway, waste management and water treatment, supply and distribution divisions (except for Sungai Harmoni) as well as the proceeds from the conversion of USD. The Group held deposits, bank and cash balances and available-for-sale financial assets totalling RM214.22 million, down from RM330.72 million in the previous year. Other than payment of dividends, the cash reserves of the Group had also diminished from the full repayment of a revolving credit facility amounting to RM70.0 million, interest payments of RM22.7 million and working capital requirements. Out of the total deposits, cash and bank balances and available-for-sale financial assets, approximately RM33.0 million was held as securities for banking facilities secured by the Group, whilst RM105.2 million was subjected to restrictions imposed under a sukuk issued by a subsidiary, Cerah Sama Sdn. Bhd. ("Cerah Sama"). There is no foreseeable major capital expenditure expected to be incurred in the next twelve months. Where required, the Group has the capability and flexibility to gear up to undertake any cash acquisitions in pursuance of its strategy to acquire infrastructure assets/businesses. Alternatively, the Group has at its disposal, several other options to raise funds, either through a cash call from shareholders or a private placement of shares, depending on market conditions.

MANAGEMENT DISCUSSION AND ANALYSIS

Although borrowings of the Group have decreased from RM486.40 million to RM416.73 million, net gearing inched up slightly from 0.14 times to 0.19 times due to the reduction in the shareholders' equity. The amount of shareholders' equity as at the end of the year was at RM1.054 billion, down from RM1.121 billion from the previous year. Total assets stood at RM2.372 billion (2016: RM2.456 billion), whereas total liabilities stood at RM1.044 billion (2016: RM1.058 billion).

The higher trade receivables, particularly the amount owed by SPLASH continues to be a major concern due to the unresolved Selangor water restructuring exercise. As at the end of the financial year, the carrying amount of trade receivables, both current and non-current, increased to RM501.29 million from RM430.25 million in the previous year, with the provision for discounting at RM175.60 million (2016: RM124.12 million). Other than the provision for discounting, no impairment was made as the amount was not disputed. The Group is optimistic that the trade receivables from SPLASH will be adequately addressed once the Selangor water restructuring exercise is resolved. Consequential to the increase in trade receivables, trade payables have also increased from RM88.00 million in 2016 to RM132.87 million primarily for Sungai Harmoni.

With the new Companies Act 2016 implemented on 31 January 2017, the concept of authorised share capital and par value of share capital were abolished. Consequently, the credit balance of the share premium account of RM196.66 million held in Reserves became part of the Company's share capital. As a result, the share capital of the Company increased from RM241.90 million to RM438.56 million and correspondingly resulted in a decrease in Reserves. There was no impact on the number of ordinary shares issued or any relative entitlement of any of the members as a result thereof. The share capital of the Company comprises of 1.209 billion ordinary shares. The Company had also issued 241.89 million of outstanding Warrants 2015/2018 exercisable at RM1.70, which will expire on 11 November 2018. The Warrants, if exercised, will strengthen the capital base of the Company.

Key Audit Matter ("KAM")

In the current financial year, the assessment of impairment of trade receivables from SPLASH continued to be flagged out by the Auditors as a KAM. The amount of trade receivables is significant to the Group and significant management judgement is required in estimating the timing of collection of the receivables, discount rate to be used and the probability of the outcome. As at 31 December 2017, the net carrying amount of receivables owed by SPLASH amounted to RM440.70 million (2016: RM378.08 million) compared to the total assets employed by the Group of RM2.37 billion.

Additionally, the Auditors have also included the assessment on the impairment of goodwill and intangible assets relating to Cerah Sama as a KAM. The assets of Cerah Sama are significant to the Group and the key bases and assumptions used in the estimation of the recoverable amount involve a significant degree of management judgement. As at 31 December 2017, the carrying amount of goodwill and intangible assets amounted to RM129.39 million and RM1.13 billion respectively compared to the total assets employed by the Group of RM2.37 billion.

Review of Business Divisions

The following is a review of the operating and financial performance of each of the operating business divisions of the Group.

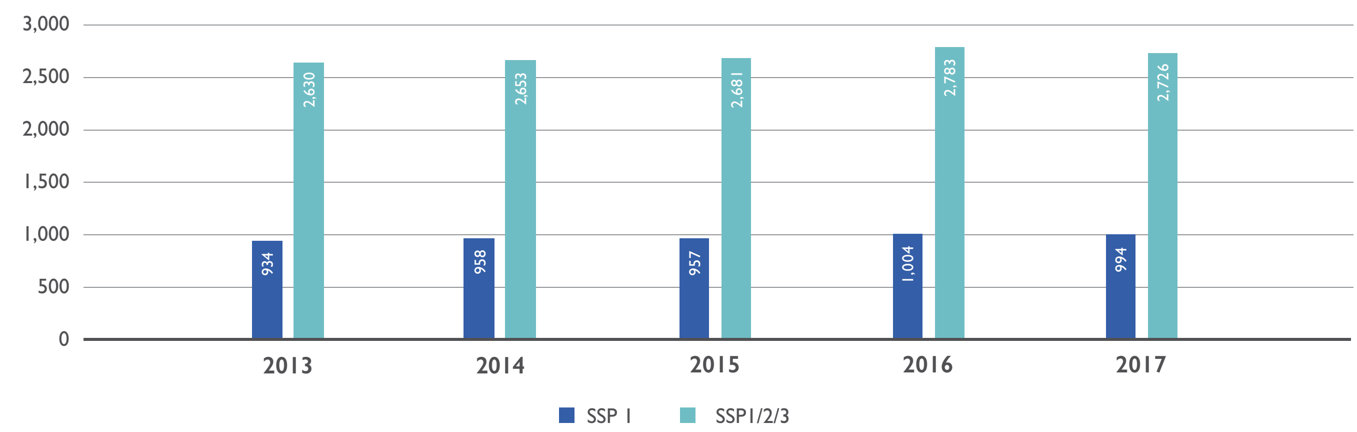
WATER AND ENGINEERING DIVISION

The combined production from SSP1, SSP2 and SSP3 for the past five years indicating that the demand for treated water in Klang Valley is still relatively robust and on the uptrend.

:: Sungai Harmoni Sdn. Bhd. ::

Compared to a year ago, the average production from SSP1 decreased by 1.1% from 1,004.3 million litres per day ("MLD") to 993.8 MLD in the current year. In terms of metered output, the plant produced about 362.73 million m^3 over a period of 365 days. In 2016, SSP1 recorded a metered output of 367.59 million m^3 over 366 days. Although the average production in 2017 was lower than in 2016, nevertheless, it was still higher than the 957.1 MLD recorded in 2015. Based on the design capacity of 950 MLD, SSP1 is already over producing by almost 4.6%. Corresponding to the decline in metered output from SSP1, the combined production from SSP1, SSP2 and SSP3, which are the three major water treatment plants operating along the Sungai Selangor river, also saw a decline of about 2.0% (2016: +3.8%) to an average of 2,726 MLD compared to the average of 2,783 MLD in 2016 due to the slight decline in consumer demand. Of the total combined production from the three water treatment plants, SSP1 supplied about 36.5%, a tad higher than the 36.1% in 2016 of treated water from the Sungai Selangor river basin to Syarikat Bekalan Air Selangor Sdn. Bhd. ("SYABAS"), the concessionaire for the distribution of treated water in the state of Selangor and the Federal Territories of Kuala Lumpur and Putrajaya. The following is the historical metered output from SSP1 and the combined production from SSP1, SSP2 and SSP3 for the past five years indicating that the demand for treated water in Klang Valley is still relatively robust and on the uptrend.

Average Production in MLD



Significant developments

- *2013 – completion of the upgrading of pumping installations to its original design capacity of 950 MLD in March*
- *2014 – increase in the BSR on 1 January. This has no impact to the production.*

* *The combined production for SSP1/2/3 was tabulated from internal sources*

MANAGEMENT DISCUSSION AND ANALYSIS

At the start of the year 2017, both Sungai Tinggi dam and Sungai Selangor dam were at critical levels due to the reduction in rainfall over the catchment areas and a higher quantum of releases of raw water to augment the river flow at Sungai Selangor towards the end of 2016. However, with the proactive measures undertaken by the Selangor State through its agencies, namely the Unit Perancang Ekonomi Negeri ("UPEN") and Lembaga Urus Air Selangor ("LUAS"), and the close monitoring of the Sungai Selangor river levels to optimise dam releases (including strategic releases from the mining ponds), the water level at Sungai Tinggi improved drastically from 67.1% to 99.9% at the end of 2017 and the Sungai Selangor dam ended up in full capacity from 59.2% at the beginning of the year. The significant improvement in the dam levels was attributed to both the regulating dams having to discharge a lower quantum of raw water as the abundant rainfall during the year lessens the necessity for the dams to release sufficient raw water to augment the river flows. With the unexpected good rainfall at the catchment areas throughout the year, the dams were filled up to full level of storage capacity by the beginning of 2018. In view of this, the production in the SSP1 water treatment plant is not expected to be curbed by the availability of raw water, at least for the first half of 2018 as the water level has built up substantially to provide the necessary buffer. As a precautionary measure, the relevant authorities are expected to continuously monitor the river flows and water levels to ensure sufficient raw water to meet demands from water treatment plant operators.

The completion of SSP1 upgrading works in March 2013 enables SSP1 to produce treated raw water above its design capacity of 950 MLD. Subject to the proper maintenance of its pumps, SSP1 is capable of being overloaded by about 10%, up to 1,045 MLD, should there be a demand for higher production output from the authorities. Nevertheless, it is extremely crucial that all treatment plant equipment be kept under good and optimal working condition and all preventive maintenance is undertaken promptly. For the year under review, the company incurred a total of RM11.22 million (2016: RM10.90 million) in rehabilitation, upkeep and maintenance costs, and these contributed approximately 11.3% of the total operating costs. Among the rehabilitation and improvement programmes carried out in the year 2017 were the following: -

(a) continuation of programme for the: -

  (i) rehabilitation of raw water and treated water pumps and delivery valves;
  (ii) sludge management activities to control and to ensure that the effluents leaving the lagoons comply with environmental standards;
  (iii) transfer of settled sludge to the sludge depository, which is now in maintenance mode;
  (iv) rehabilitation of the sand filters to improve filtered water quality. The third round of rehabilitation for all 48 filters commenced in 2016;
  (v) refurbishment of pump motors that includes the replacement of bearings, cleaning and re-varnishing of stator and rotor coils, rotor balancing, etc; and
  (vi) refurbishment of the support structures of the lamella modules for the Stream B Pulsators.

(b) refurbishment of the chemical dosing systems, which includes replacing aged dosing pumps, chemical preparation systems and pipe works; and

(c) servicing of HT switchgears including the 33kV incoming switchgear from TNB.

Nevertheless, with the protracted issue on the water restructuring exercise in Selangor, it is challenging for Sungai Harmoni to manage its cash flows given that the payments from SPLASH had been reduced significantly over the years. During the year, the company collected about RM68.64 million, whereas its total operating costs came up to RM98.91 million. Of the total amount received, a major portion of it went towards the payment of essential supplies, staff costs and taxation. As at the end of the year, gross trade receivables from SPLASH amounted to RM616.3 million, an increase from RM502.2 million in the space of a twelve month period, whereas trade payables jumped from RM73.3 million to RM114.7 million in the current year. The amount owing for the supply of electricity and chemicals totalled to approximately RM47.7 million. During the year, Sungai Harmoni did not distribute any dividends.

As reported last year, an extension was given until 5 October 2017 for Pengurusan Air Selangor Sdn. Bhd. ("Air Selangor"), a special purpose vehicle created by the Selangor state government to acquire SPLASH. However, with the passing of the deadline, a further extension was granted to the relevant parties to come to a resolution sometime in July 2018. It has been more than two years since Air Selangor took over the operations of SYABAS, Puncak Niaga (M) Sdn. Bhd. and Konsortium ABASS Sdn. Bhd. as part of its plans to consolidate the treatment, supply and distribution of raw water in the state of Selangor. Given that this issue has not been resolved over the years, it became even more critical than ever for the parties to come to an amicable resolution as the payments received by Sungai Harmoni are insufficient to pay its suppliers, which might affect its ability to provide the required output of treated raw water to the consumers. Nevertheless, despite the shortfall in payments, Sungai Harmoni has worked rigorously to ensure that its services to consumers are not compromised.

In terms of its financial performance, Sungai Harmoni recorded a gross revenue (excluding the impact of provision for discounting) of RM172.42 million compared to RM171.47 million the year before. Despite the lower production levels, core revenue was higher due to the increase in the electricity and chemicals rebates to RM24.91 million in the current year from RM22.85 million previously. The Bulk Sales Rate ("BSR") remained at RM0.42/m^3 of production. The next increase in the BSR will be in 2018 at RM0.44/m^3. With the increase in BSR, the company expects the top line growth to be in the region of 5%-6% if SSP1 produces an average of 1,000 MLD.

For the year, the operating costs shot up to RM98.91 million (2016: RM95.02 million) due to higher electricity and chemicals costs. Electricity and chemicals costs accounted for about 53% and 16% respectively of the total operating costs, which is consistent with the previous year. The overall specific energy consumption at the Intake and Treatment plant was recorded at 0.4332 kWHr/m^3 (2016: 0.4212 kWHr/m^3), representing an overall increase of 2.8%. This was due to the deterioration in pump efficiencies from wear and tear, especially from the Intake Pumps. As such, there was an urgency for an effective and continuous pump rehabilitation programme to be carried out. Compounding the effects from the pump inefficiencies and the higher in-plant losses due to the continuous process overloading, the higher electricity tariff by 2% also played a role in the unit electrical costs to increase by about 6.5% to RM0.1445 per m^3 of production. However, the increase in electricity cost was mitigated by transferring the increases to SPLASH in the form of electricity rebate.

Similarly, the unit chemical costs saw an increase of 6.1% despite no increases observed in the average prices of chemicals used in the water treatment process in 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

The increase was mainly due to the overall deterioration in raw water quality caused by several high intensity rainfalls throughout the year. With the deterioration of quality of raw water, continual vigilances were exercised to respond speedily to improve raw water quality in order to minimise any disruption to SSP1. During the year, there were no serious untoward incidences of raw water pollution which resulted in major disruptions to the SSP1 operations. Raw water quality surveillance programmes will continue to be implemented at regular intervals. The use of Streaming Current Detectors in monitoring the coagulant dosages and the installation of lamella modules in Stream A Pulsators have contributed significantly in improving the quality of the settled water since their introduction in 2013. Given the quality of raw water encountered, the treatment regime employed in the water treatment process has been found to be relatively effective. Overall, unit electricity and chemical costs went up by 6.4% compared to 2.4% in the previous year.

In recognition of its operational and maintenance standards, the SSP1 Water Treatment Plant has been accredited under MS.ISO 9001:2008 for Operation and Maintenance of Water Treatment since 2003 and is now in the process of migrating to MS.ISO 9001:2015. The SSP1 Laboratory, on the other hand has continued to be accorded with ISO/IEC 17025 under the SAMM Accreditation Scheme. In addition, SSP1 has also obtained certification under ISO/IEC 27001:2013 'Information Technology – Security Techniques' quality management system for its Information Security Management System for the Management of Information associated with the SCADA System, for the initial period from 22 February 2013 – 21 February 2016. This has since been renewed till year 2019. Further, the SSP1 Water Treatment Plant has also been accredited by Jabatan Pembangunan Kemahiran (JPK) Malaysia as National Dual Training System in-house company and training centre since the end of 2016. This accreditation allows SSP1 to train internal staff to obtain the Malaysia Skills Certificate ("MSC") certified by JPK. Sungai Harmoni is one of the few water operations specialists in Malaysia to gain such certification. A total of nine SSP1 staff obtained their Level 2 MSC certification in Water Treatment Operations in 2017.

To mitigate any potential risk factors, Sungai Harmoni has placed a robust approach in managing significant risks. As the SSP1 water treatment process is an important aspect of water security for the Klang Valley, Sungai Harmoni has taken precautionary measures to minimise any incidences of its water treatment operations being jeopardised and appropriate steps were taken to remedy any weaknesses in its operations so that constant supply of treated water to consumers is not compromised. To this end, the company is subjected to rigorous audits by regulators and external consultants and internal audit checks. On the regulatory front, no significant regulatory issues have arisen during the year that would severely hamper the company in running its operations.

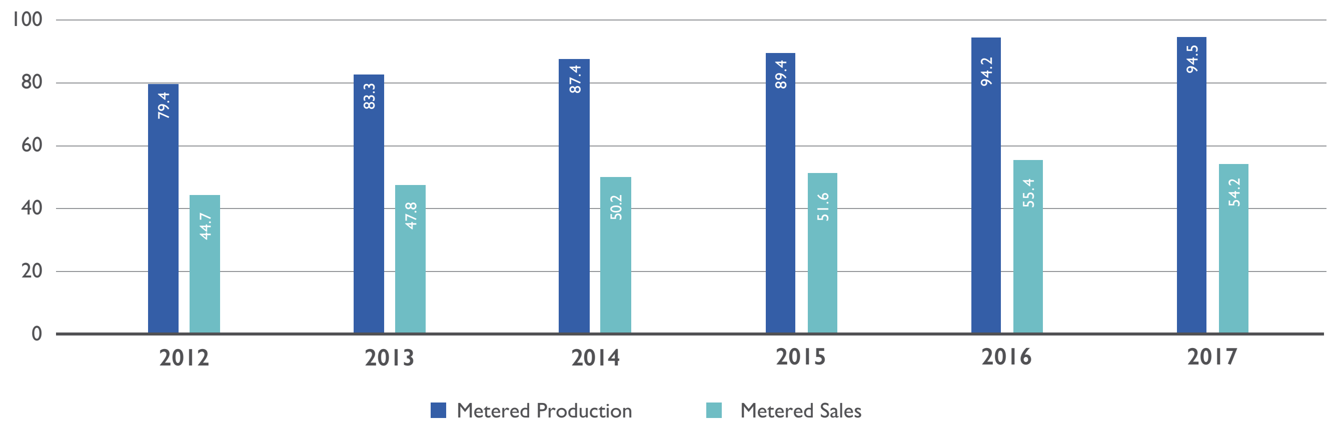
APPROPRIATE STEPS WERE TAKEN TO REMEDY ANY WEAKNESSES IN ITS OPERATIONS SO THAT CONSTANT SUPPLY OF TREATED WATER TO CONSUMERS IS NOT COMPROMISED.

:: Taliworks (Langkawi) Sdn. Bhd. ::

In the previous year 2016, the Langkawi operations' metered sales had registered a growth by 7.4%. However, in the current year under review, the metered sales saw a decrease of 2.4% to 19.78 million m^3 from 20.27 million m^3 attributable to the lower registered demand for treated water from both the domestic and commercial sectors. As recorded by the Langkawi Development Authority, the number of tourists arriving at the Langkawi island from January to September 2017 was at 2.627 million, higher by 0.9% year-on-year. This however, did not translate into higher demand for treated water in Langkawi.

The island of Langkawi remains as one of the top ten tourist destinations in Malaysia and this underscores the importance placed by the authorities to actively promote Langkawi amongst the foreign tourists. Famous for its beautiful islands, pristine beaches and natural landscapes, Langkawi island has seen tremendous developments over the years and it is anticipated that economic activities, particularly from tourism related activities, will continue to remain robust. Demand for treated water has been relatively strong for the past few years and it can be seen from the uptrend in metered sales over the years.

Average in MLD



Significant developments

- *2013 – granted an authorisation under Section 192(5) of the Water Services Industry Act 2006 by the National Water Services Commission ("SPAN") to undertake and carry out the operation and activities under the Langkawi Water Supply Privatisation Agreement and the Supplemental Agreements effective from 1 February 2013 to 31 October 2020*
- *2015 –the BSR was revised downwards to RM2.15/m^3 from RM2.21/m^3 for the period 2014-2017 and from RM2.31/m^3 to RM2.24/m^3 from 2018 to the expiry of the Langkawi Water Supply Privatisation Agreement in October 2020*

MANAGEMENT DISCUSSION AND ANALYSIS

In terms of production level, the total output from the five water treatment plants operated by Taliworks Langkawi stood at 94.46 MLD (2016: 94.17 MLD), representing a marginal increase of 0.3%. At this level, the combined production output exceeded the design capacity of the water treatment plants by almost 8.2%. In terms of MLD, the metered sales registered an average of 54.20 MLD over a period of 365 days in 2017 compared to the 2016 average metered sales of 55.39 MLD over a period of 366 days, reporting a reduction of 2.1% (2016: an increase of 7.4%). Due to the lower metered sales, revenue was slightly below the RM60.36 million achieved the year before at RM59.80 million. Pursuant to an agreement executed with Syarikat Darul Aman Sdn. Bhd. ("SADA") in March 2015 on tariff re-negotiations, the contracted bulk BSR remained unchanged at RM2.15/m^3 in 2017 with the next increase to RM2.24/m^3 became effective on 1 January 2018. As at the end of the year, the amount owing by SADA was RM44.35 million, almost unchanged from RM44.69 million owed in the previous year. Total collection for the year stood at RM59.24 million, which was sufficient for the company to meet its payment obligations and to distribute excess cash as dividends. During the year, Taliworks Langkawi distributed approximately RM10.0 million in dividends.

Insofar as operating costs are concerned, electricity and chemicals took up almost 37% and 4% respectively of the total operating expenditure of RM35.62 million (2016: RM33.49 million). The other major cost components comprising of rehabilitation, upkeep and maintenance costs came up to RM7.98 million (2016: RM6.14 million) or 22% and operating staff costs at RM8.09 million (2016: RM7.88 million) or 23%. The unit cost of electricity averaged out to be lower by 1.2%, whilst chemicals averaged out to be higher by 13%. Despite the increase in TNB's Special Industrial Tariff by 2%, the reduction in unit electrical cost was attributed to an exceptionally wet year leading to increased releases from the dam, coupled with decreased pumping to refill the Malut Dam that dropped to its historical lowest level of 66.7m RL in June 2016. Nevertheless, as at the end of December 2017, the water level at the Malut Dam recovered up to 95.2%. To ensure that the pumping installations are running efficiently, and the pumping costs are kept at a manageable level, Taliworks Langkawi continues to step up the pump maintenance and rehabilitation programme. This programme comprises of servicing the motors, including replacing the bearing and re-varnishing works and the refurbishment of pumps by changing the bearings, internal surface coatings to increase efficiencies and replacement of worn out wearing rings.

Other than raw water sourced from the island itself, close to 55%-60% of treated water in Langkawi comes from Sungai Baru at the mainland area. Raw water treated at the Sungai Baru water treatment plant is transported via a 711mm outer diameter submarine pipeline of approximately 35 kilometres in length to the Penarak booster station. Given the diverse raw water sources, Taliworks Langkawi has effectively managed the treatment process as water was treated to the required quality in excess of the 97.9% compliance mark for most of the parameters based on a two-hourly daily treated water samples taken. There has been an improvement in compliance in almost all the parameters monitored.

Since 1995, Taliworks Langkawi has been managing a progressively increasing consumer base and expanding its water supply and distribution assets as the population and economy of Langkawi keeps growing with increases in water demand. Consumer base had grown from 9,998 accounts back in 1995 to 4,944 commercial accounts and 22,617 domestic accounts. Domestic accounts grew slightly by 1.6% (2016: 5.2%) whilst non-domestic (commercial) accounts grew by 3.2% (2016: 6.8%). One of the key issues impacting the Langkawi operations is the non-replacement of the aging piping network which is under the purview of SADA. As a result of the non-replacement of the aging piping network, the Non-Revenue Water ("NRW") for Langkawi island stood at 42.5% (2016: 41.2%) which is comparatively higher than the national average of 35.2% recorded in 2016. *(Source: http://www.span.gov.my/index.php/en/statistic/water-statistic/non-revenue-water-nrw-2017).* A higher level of NRW will require the production of more treated water to compensate for the wastages and/or losses, thus increasing the cost of production. To manage the high level of NRW, various activities had been undertaken by Taliworks Langkawi and these include:

(a) identification of pipelines with high leak frequencies through its GIS facility and recommending them to SADA for pipeline replacement;

(b) a total of 1,557 spoilt consumer meters has been replaced in 2017, and 960 meters was replaced in 2016. This has already contributed positively in maintaining the quantity sold in 2017 and to slow down the natural increase in NRW due to meter ageing effect. This will maintain sales volumes in the succeeding years, however the remaining spoilt and aged meters are required to be changed;

(c) the Active Leakage Control ("ALC") programme was initiated in 2015 and has continued in 2016 and 2017. The company engaged an external consultant to conduct the ALC programme and at the same time to educate the staff with the latest ALC methodologies as part of capacity building. There have been positive results achieved and it is envisaged that the staff will be able to continue to build up their competency in managing the ALC programme;

(d) stepping up the pressure management programme in the distribution system by installing additional Advance Pressure Management System ("APMS") in a few more District Metering Zones and this has been effective in reducing the background water losses;

(e) continue to involve all levels of staff in reporting visual leaks. The meter readers have been most active in making this a continuing success. A dedicated toll-free hotline has also been activated for consumers to report any leakages; and

(f) staged replacement of communication pipes with PN16 ratings instead of PN12 rating HDPE pipes, as substandard quality communication pipes were identified as a significant cause of pipeline leakages. A total of 22 kilometres of such communication pipes were replaced in 2017.

The 6-month study entitled "Project Pembangunan Skim Bekalan Air Langkawi" commissioned by SADA in August 2016 to plan for the short-term and long-term needs of Langkawi island until the year 2040 has since been completed. The outcome of this study will help to urgently address the current situation, whereby demand has exceeded the nominal production capacity of all the treatment plants with some plants presently operating under overloaded condition.

In recognition of its operational and maintenance standards, Taliworks Langkawi continues to be accredited under the following schemes:

(a) ISO 9001:2008 for 'The Management and Support Services for the Operation of Four (4) Water Treatment Plants (Padang Saga 2 & 3, Bukit Kemboja and Sungai Baru) including the Maintenance of the existing Distribution Network and Consumer Services' and is now in the process of migrating to the ISO 9001:2015;

(b) ISO/IEC 27001:2013 Information Technology – Security Techniques for Information Security Management System for the Management of Information associated with the Monitoring and Operations for the Supply of Potable Water to Langkawi, covering the Treatment Processes, Water Distribution System and Consumer Affairs;

(c) SAMM ISO/IEC 17025 for the Padang Saga and Sungai Baru treatment plant laboratories; and

(d) Accredited as National Dual Training System (NDTS) in-house company and training centre by Jabatan Pembangunan Kemahiran (JPK) Malaysia.

MANAGEMENT DISCUSSION AND ANALYSIS

TOLL HIGHWAY DIVISION

The company continues to monitor its risks profile from time to time, by identifying and evaluating risk areas potentially affecting the highway operations, including general business environment and safety issues.

:: Grand Saga Sdn. Bhd. ::

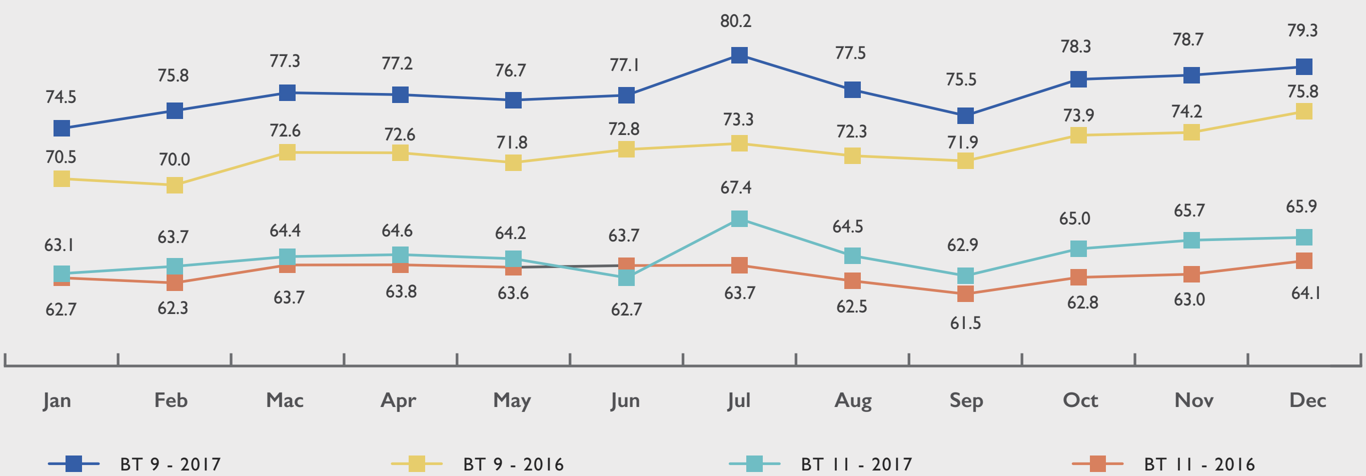
As expected, 2017 turned out to be a challenging year for the Cheras-Kajang Highway with the scheduled commencement of the Klang Valley Mass Rapid Transit Line 1 Sungai Buloh to Kajang ("KVMRT") operations in July 2017. However, despite the commencement of KVMRT, the average daily traffic ("ADT") on the Cheras-Kajang Highway registered an overall growth of 4.5% year-on-year with the ADT increased to 141,883 vehicles per day compared to 135,785 vehicles per day in 2016. The anticipated sharp decline in ADT on the commencement of operations of KVMRT service did not take place as projected. Even though it appeared to have an initial traffic dip, it did not sustain as existing road users flocked back to using the Highway in their daily commute. In the two months following the commencement of the KVMRT operations, ADT decreased to 141,984 vehicles per day and 138,835 vehicles per day in August and September respectively from 147,611 vehicles per day recorded in July before it eventually picked up towards the end of the year. This could be partially due to the end of the free travel ride promotion offered for the KVMRT service.

Given its status as a mature intra-urban highway serving a growing middle class community, it is envisaged that the negative impact of the KVMRT operations on the Highway's ridership is likely to be temporary. In the long term, the KVMRT service would complement the Highway's growth by providing connectivity and strong impetus for further development of new townships in its vicinity. The KVMRT stands to benefit from its close proximity to the townships such as Bandar Tun Hussein Onn, Bandar Mahkota Cheras and Cheras Perdana whose population is set to increase. However, the usage of the KVMRT would most probably appeal and would readily cater to the existing commuters who use public transportation to travel into the city centre and beyond.

Compared to the previous year, the overall traffic growth on the Highway was more pronounced at Plaza Batu 9 which grew by 6.5%, whereas Plaza Batu 11 increased only by 2.2%. The significant growth was mainly attributed to the declining negative impact of toll rates increase in October 2015, as well as the completion of the KVMRT construction works which had hampered traffic flow at the Highway. As a comparison, the overall traffic growth in 2016 at Plaza Batu 9 was merely 1.3%, whereas Plaza Batu 11 recorded a decrease of 0.4%. Furthermore, pro-active management initiatives resulted in KVMRT contractors speedily removing the barricades and other structures put-up for the construction, even prior to the commencement of KVMRT operations. With the full four lanes of the Highway being fully open to traffic, road users started to return to the Highway as it is the shortest and cheapest route to the city. In line with the higher ADT, toll revenue increased from RM65.84 million in 2016 to RM68.97 million in 2017, representing an increase of 4.7%. Plaza Batu 9 contributed about 54.5% of the total ADT and toll revenue for the year was marginally higher than the year before. Being an intra-urban highway, approximately 95% of traffic that passes both the toll plazas consist of Class 1 motor vehicles. The toll rates for Class 1 vehicles is RM1.30 at both Plaza Batu 9 and Plaza Batu 11 and the next toll rate increase is due on 1 January 2020, subject to regulatory approval.

The following is the ADT recorded at each of the toll plazas over a period of two years: -

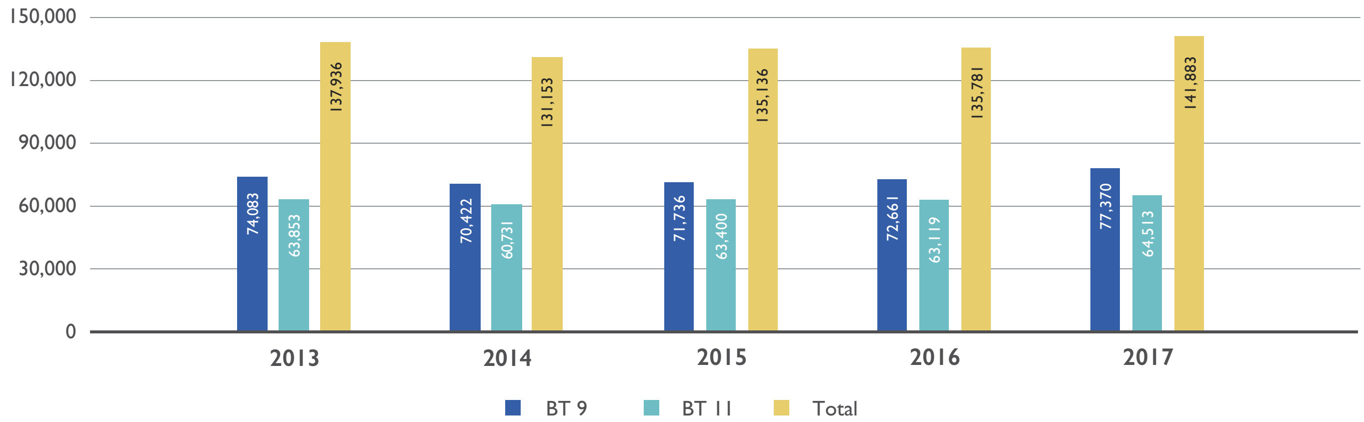
Average Daily Paying Traffic ('000)



MANAGEMENT DISCUSSION AND ANALYSIS

Over the past five years, the ADT recorded at the Cheras-Kajang Highway is as follows: -

Average Daily Traffic (ADT)



Significant developments

- *2013 – commencement of KVMRT construction works in the second quarter of the year*
- *2015 – increase in toll rates on 15 October 2015*
- *2016 - substantial completion of the KVMRT project ground works along the affected stretches of the Highway around the third quarter of 2016*
- *2017 – commencement of KVMRT operations on 17 July 2017*

As part of its service commitment to its road users, Grand Saga continues to implement the "contra flow" operations for the 12th year to alleviate the traffic congestion for the Kuala Lumpur bound traffic congestion in the morning and Kajang bound traffic in the evening. This daily "contra flow" operation is conducted in collaboration with the Kuala Lumpur City Council and the Kuala Lumpur Traffic Police. As a responsible highway operator, Grand Saga provides quality related services to its road users such as Rest & Service stops, regular patrolling along the Highway and provides breakdown service, free towing assistance and other services including emergency first aid care for commuters in need. To reach out to its road users, Grand Saga maintains constructive communication with communities along our highway by providing information on traffic updates and other messages pertinent to road users via the website and the following channels:

Facebook: LebuhrayaGrand Saga
Twitter: GrandSagaTrafik

As a result of the numerous safety measures undertaken by management, the number of accidents was recorded at 2.88 accidents per one million vehicles, which was lower than the target set by the Malaysian Highway Authority. This demonstrated the importance placed by the company in ensuring road users' safety and comfort remain a key priority of the highway operations.

As part of the Government's efforts to facilitate seamless travelling within the toll highways and particularly to reduce traffic congestion at toll plazas, the Government is in the process of implementing the Multi Lane Free Flow ("MLFF") system at all toll highways in Malaysia, targeted to complete by 2020. Moving towards this target, the Cheras – Kajang Highway is among one of the highways where the trial of the 1st phase of the MLFF is undertaken using the Radio Frequency Identification Tag ("RFID") system on a selected group of road users.

Grand Saga is a wholly owned subsidiary of Cerah Sama, an investment holding company. In terms of its financial performance, Cerah Sama recorded total operating revenue of RM85.65 million (2016: RM92.67 million) comprising of toll revenue of RM68.97 million (2016: RM65.84 million) and recognition of prior years and current year's government compensation of RM16.68 million (2016: RM26.83 million). The substantially lower government compensation recognition was due to the receipt of RM9.54 million toll compensation in year 2016. In accordance to the Concession Agreement, the Federal Government agreed to pay compensation for the deferment of the scheduled toll tariff hike due on 1 January 2015. The toll hike was subsequently implemented on 15 October 2015. Even though operating revenue was lower than the previous year, the EBITDA of RM73.90 million was marginally higher than RM73.32 million achieved a year ago due to a RM3.0 million increase in toll revenue and write-back of over-provision for heavy repairs during the year.

The company sets aside provision for heavy repairs based on annual independent pavement condition assessment that estimates future requirements for pavement resurfacing, discounted to present value. Based on an assessment conducted in prior years, a major heavy repair was anticipated in 2018. However, with a significant portion of the Highway handed over to MRT Corp for the construction of the KVMRT, the Malaysian Highway Authority had amongst others imposed a condition that MRT Corp make good the pavement condition before handing it back to Grand Saga. Hence, as part of the handover process, MRT Corp had conducted pavement repair works during the year, covering a significant portion of the Highway's pavement according to the standards set by the Malaysian Highway Authority. As such, based on the independent pavement condition assessment undertaken, Grand Saga postponed the major heavy repairs, which was initially scheduled in 2018 to 2021. This was reflected positively in the financial statements by way of a write back of RM6.15 million in provision for future rehabilitation works charged in the prior years. Other significant expenses incurred were financing costs of RM21.01 million, which is comparable to the previous year on the issuance of RM420.0 million of Islamic Medium-Term Notes (Sukuk) program by Cerah Sama, as well as depreciation and amortisation of RM15.39 million (2016: RM17.03 million) principally on the Highway Development Expenditure ("HDE"). PAT was much lower at RM36.64 million compared to RM43.20 million a year ago due to the reversal of deferred tax expense of RM8.03 million, which arose mainly from the change in accounting policy on the amortisation of HDE in the previous year to comply with the amendments to the MRFS 116 - Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to MFRS 116 and MFRS 138).

In respect of risk management, Grand Saga continues to monitor its risk profile from time to time, by identifying and evaluating risk areas potentially affecting the highway operations, including general business environment and safety issues. As noted, the threat from KVMRT operations to the Highway's business model did not take place. On the regulatory front, no significant matters have arisen during the year that would severely impact the company's operations. Grand Saga faced minimal operational risk with support from an experienced management team and given the maturity of the highway operations.

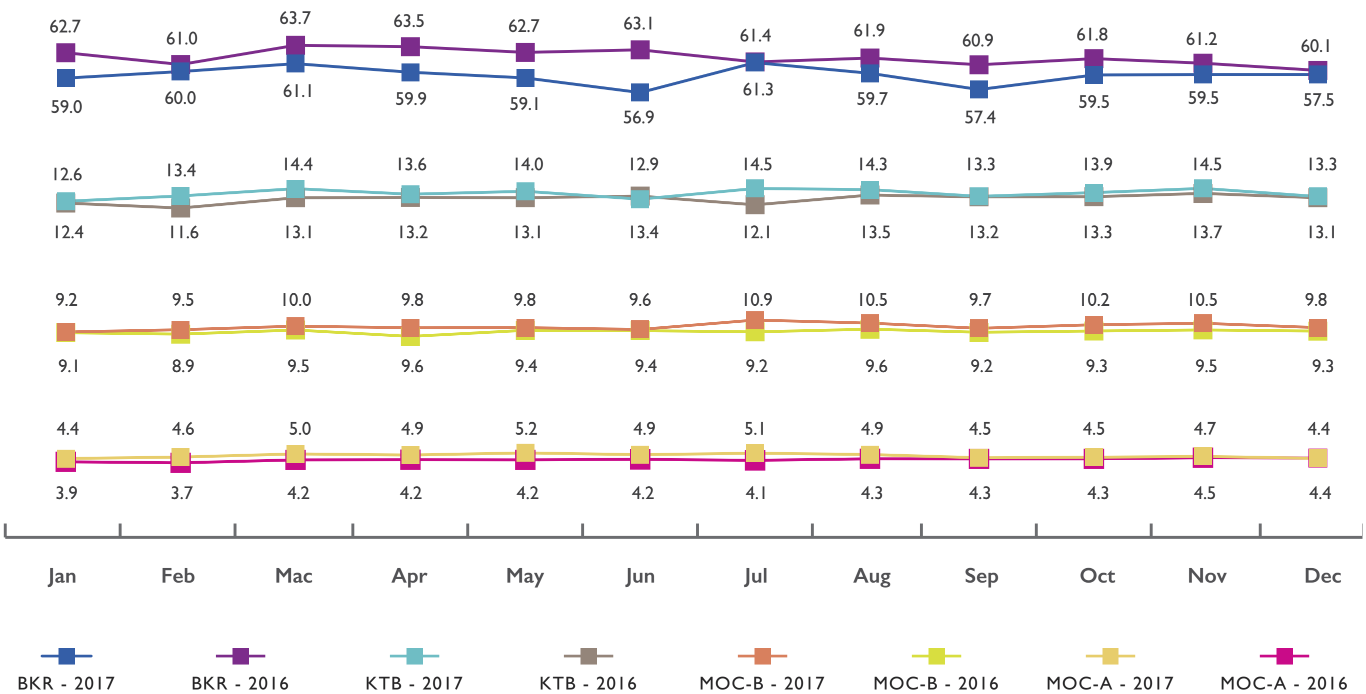
MANAGEMENT DISCUSSION AND ANALYSIS

:: Grand Sepadu (NK) Sdn. Bhd. ::

For the year 2017, the ADT continued to increase at all the toll plazas along the NNKSB Expressway, except at the Bukit Raja Toll Plaza. The ADT grew significantly by 5.7%, 13.2% and 6.8% respectively at Kapar, MOC A and MOC B toll plazas as compared to 10.1%, 19.7% and 7.1% in the previous year 2016. Whilst the overall traffic growth was lower than in the prior year, the traffic growth at three of the toll plazas were still commendable considering that the increase was from a higher base. As for Bukit Raja, the ADT declined by 4.5% (2016: 2.6%) mainly due to the new alternative route available to commute from Jalan Meru via Setia Alam, and also using the North Klang Valley Expressway to Klang, albeit a longer but free flowing route. The commencement of construction along the Bukit Raja stretch in December 2016 for the upcoming West Coast Expressway, which connects Banting in Selangor to Taiping in Perak, also contributed to the declining traffic at the Bukit Raja Toll Plaza. During the year, a total of 32.01 million (2016: 32.40 million) paying vehicles passed through the four toll plazas of which, close to 67.6% of vehicles passed through the Bukit Raja Toll Plaza, down from 70.0% previously. As a result of the decline in the amount of traffic at the Bukit Raja Toll Plaza, the ADT for the year decreased from 88,528 vehicles per day to 87,691 vehicles per day, a drop of 0.9%.

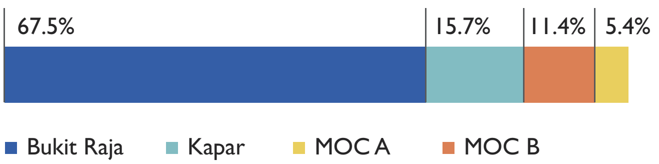
The following is the ADT recorded in each of the toll plazas over a period of two years: -

Average Daily Traffic ('000)

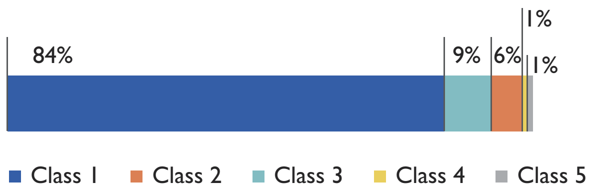


With the NNKSB Expressway servicing mainly the daily commuters from towns in Klang, as well as commercial vehicles to the North Port and Westport terminals, the breakdown of traffic volume in each of the toll plazas and the categories of vehicles that passes through them were as follows: -

ADT - 87,691



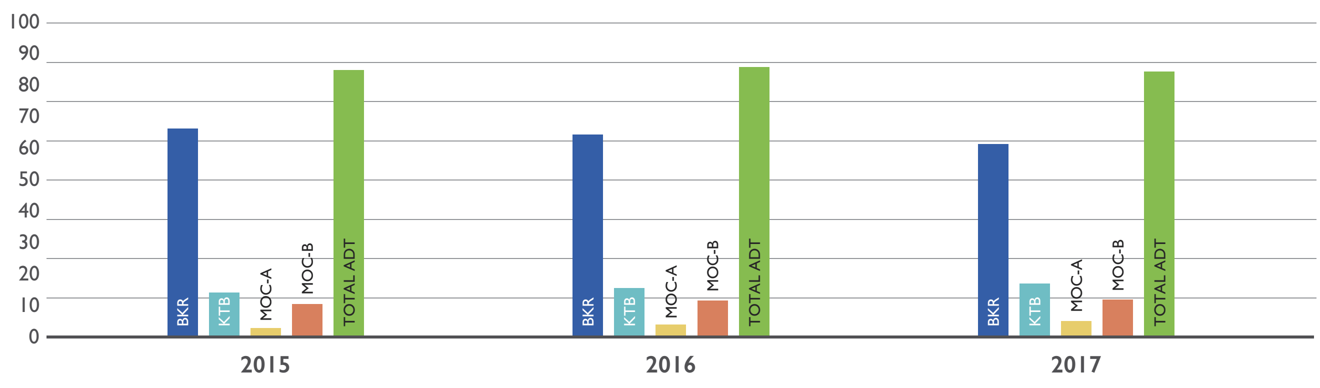
Breakdown of Classes of Vehicles



Since the acquisition of the concession rights and assets of the NNKSB Expressway by Grand Sepadu in December 2014 from the liquidators, the NNKSB Expressway has witnessed considerable growth in terms of ADT at all toll plazas, save for Bukit Raja. The proximity to the two ports and its easy accessibility to the towns across Klang has contributed to the robust growth at the three Kapar toll plazas in the last three years, with MOC A (Kapar - Port bound traffic) grew by an astounding 73.1%, Kapar Toll Plaza and MOC B (Kapar - Shah Alam bound) increased by 18.7% and 20.2% respectively over the same period. Ongoing initiatives by Grand Sepadu including improving road signages, enhancing pavement quality and increasing public awareness of the expressway had contributed to the robust growth in the ADT. Nevertheless, over the same period, Bukit Raja Toll Plaza registered an 8.8% decline in ADT substantially due to the opening of the new alternative route.

Since last year, the company also commenced the construction of a new access interchange at Jalan Haji Sirat. This new interchange will provide direct access into the NNKSB Expressway for residents and business owners from the surrounding industrial areas. Built at an approximate cost of RM11 million, the project is slated to complete by the 2nd quarter of 2018. This interchange is expected to further boost traffic growth at Kapar Toll, MOC A and MOC B Toll Plazas.

Average Daily Traffic (ADT) '000



MANAGEMENT DISCUSSION AND ANALYSIS

Given the persistent decline in the ADT at the Bukit Raja Toll Plaza, Grand Sepadu implemented several initiatives to improve traffic at the plaza, including working closely with the police to manage traffic flow during peak periods. The company was also working on a frequent traveller loyalty incentive scheme to be implemented in 2018. In addition to these initiatives, the abolishment of toll collection at the Batu Tiga and Sungai Rasau Toll Plazas along the Federal Highway on 1 January 2018 was expected to further spur traffic growth at the NNKSB Expressway with more commuters using the toll free Federal Highway to travel from Bukit Raja and Setia Alam townships.

As part of its commitment to provide uninterrupted traffic flow at the NNKSB Expressway, Grand Sepadu plans to upgrade the existing toll plaza at MOC East in year 2018 to cater for the increasing traffic and to alleviate peak period traffic congestion, at a cost of approximately RM3.0 million. The upgraded toll plaza would have three additional toll lanes to cater to the additional traffic coming from the newly opened 3rd Klang Bridge, thereby contributing positively to the MOC A and MOC B Toll Plazas. Other than the upgrading works, the company is not expected to have any other significant capital commitments.

In terms of its financial performance, Grand Sepadu recorded total toll revenue of RM 45.32 million (2016: RM44.10 million), with Bukit Raja contributed RM13.93 million, Kapar at RM21.48 million and MOC A and MOC B at RM4.29 million and RM5.62 million respectively. Although the overall ADT declined by 0.9%, the increase in toll revenue by 2.8% was primarily due to the higher ADT recorded at the Kapar Toll Plaza and higher toll rates. Inclusive of toll compensation, total operating revenue for the year increased from RM47.86 million to RM53.45 million for the current year. As the scheduled toll increase on 1 January 2016 was yet to be approved, the Federal Government paid the company cash compensation in accordance with the provisions of the Concession Agreement. For the year 2017, the company received a compensation of RM8.13 million, with RM4.01 million being the balance compensation for 2016 and RM4.12 million as advance compensation for 2017. Given the higher operating revenue, an EBITDA of RM40.21 million (2016: RM33.17 million) was achieved. The increase in EBITDA was also attributed to higher other income and lower provision for heavy repairs. Similar to the previous year, the company incurred financing costs of RM10.61 million, on the issuance of RM210 million of Sukuk Murabahah, whilst depreciation and amortisation principally on the HDE came in at RM14.24 million (2016: RM13.80 million). In terms of profitability, the company achieved a higher PAT of RM8.49 million (2016: RM3.51 million), predominantly from higher operating revenue achieved.

In respect of the risk management, the company continues to monitor its risk profile from time to time, by identifying and evaluating risk areas potentially affecting the highway operations, including general business environment and safety issues. Since the NNKSB Expressway connects directly to the North Klang town and its surrounding industrial areas, any slowdown in business and port operations may adversely affect the highway business. On the regulatory front, no significant matters have arisen during the year that would severely impact the company's operations. During the year in review, the number of accidents was recorded at 2.60 accidents per one million vehicles (2016: 2.35), below the threshold set by the Malaysian Highway Authority. The company does not expect to face any significant operational risks with the support from an experienced management team. To enhance its service and operational excellence, Grand Sepadu has successfully obtained the ISO9001:2015 Quality Management System by SIRIM QAS International during the year. The scope of the certification is for the Provision of Highway Operations and Maintenance Works.

ENGINEERING AND CONSTRUCTION DIVISION

TCSB recorded a PAT of RM1.17 million (2016: RM1.08 million) on the back of revenue of RM51.54 million (2016: RM39.56 million) with gross profit margin marginally higher at 11.6% compared to 10.8% the year before.

Mengkuang Dam Expansion Project, Penang with a contract sum of RM339.40 million

The Mengkuang Dam Expansion Project is being undertaken to upgrade the existing storage capacity of the Mengkuang Dam to cater to water supply needs, in the event of any prolonged drought faced by the state of Penang. The scope of our involvement in the project can be described as site clearance, construction of earth-filled embankment dam, reinforced concrete structures and pipe laying works. Subsequent to the commencement of work in the 3rd quarter of 2011, Taliworks successfully completed and handed over the project in April 2017.

Currently, the Group is in the process of finalising the final claim with the client. As reported last year, the final sub-contract sum has been reduced significantly from the original sub-contract sum due to the fact that the provisional quantities provided in the sub-contract have far exceeded the actual quantities required for the project and reduction in the scope of work as required by the client

Pengagihan Semula Kapasiti Reka Bentuk Air Terawat dari Loji Rawatan Air Sungai Selangor Fasa 3 – Sebagai Projek Mitigasi Kekurangan Bekalan Air di Selangor, Wilayah Persekutuan Kuala Lumpur dan Putrajaya (Pakej 3: Kerja-kerja Membekal dan Memasang Paip Keluli Bergarispusat 1200 mm dan Kerja-kerja Berkaitan dari Bukit Jelutong, Shah Alam ke Bukit Raja, Klang, Selangor with a contract sum of RM30.64 million

This project, undertaken by our 48% unincorporated joint-venture, LGB-Taliworks JV, was completed in the previous year. During the year 2017, the Certificate of Making Good Defects was secured and the contract sum was finalised at RM32.89 million with profit exceeding the initial target. The final payments have been received for this project. With the completion of the project, the unincorporated joint-venture will be dissolved upon reserving the refund of all deposits from the various authorities.

MANAGEMENT DISCUSSION AND ANALYSIS

Proposed Construction and Completion of the Ganchong Water Treatment Works, Main Distribution Pipeline, Booster Pump Stations and Associated Works in Pekan, Pahang Darul Makmur for ECERDC (Package 3a – Main Distribution Pipeline, Main Buildings and Associated Works at Tg. Agas with a contract sum of RM73.12 million

This project is currently being undertaken by an unincorporated joint venture between Taliworks and Ikatan Gemajaya Sdn. Bhd., with approximately 49% of the works being allocated to Taliworks. Out of the total contract sum awarded, RM36.28 million was apportioned to Taliworks, which in turned sub-contracted the works to its wholly owned subsidiary, Taliworks Construction Sdn. Bhd. ("TCSB"). The project, which entails the laying of main distribution pipeline, construction of pump station, suction and elevated tanks and associated works, commenced in September 2016 and is contractually anticipated to be completed by September 2018. However, due to the change of design of river crossing, the progress of the works within our scope is expected to be delayed. In terms of its progress, about 38% of the project undertaken by Taliworks has been completed against the scheduled completion of 60%. During the year, the project margin has been substantially compressed by the increased in price of raw materials, especially the price of steel bar that had increased from an initial average of RM1,960 per tonne to a high of RM2,700 per tonne. The usage of steel bar was quite substantial for the nature of work and it constituted about 15% of the total project costs. During the tendering stage, we foresaw that the demand for steel bar in the local market was declining. Therefore, no allowance was made to price the steel bar any higher in order to remain competitive. The current higher price of steel bar was mainly caused by the clamping down by authorities in China requiring steel bar producers to maintain the quality of steel bars, which in turn caused steel bar prices in China to surge. Riding on the same sentiment, our local steel price, which is controlled by the local producers ultimately pushed the local steel bar price up. Usually, our price of the local steel bar is maintained between RM200 to RM300 per tonne, higher than that in China. Any higher than that price will trigger the import of steel bars from China. We expect the price of steel bars from China will normalise gradually. Nevertheless, the prices of steel bars have begun to soften, and we expect our margins to once again pick up as the project progresses.

Proposed Development of Langat 2 Water Treatment Plant and Water Reticulation System in Selangor Darul Ehsan/Wilayah Persekutuan Kuala Lumpur Package 7 with a contract sum of RM73.12 million

This project, undertaken by our 20% associated company, LGB Taliworks Consortium Sdn. Bhd. commenced physical construction work in October 2016. Approximately 69% of the contract costs were sub-contracted to TCSB. The project entails the construction of a 92-million litre reinforced concrete balancing reservoir to be completed within twenty-seven months, ending January 2019. This project forms a component of the overall Langat 2 Water Supply Project that is envisaged to become the major source of water supply for the State of Selangor up to the year 2025. As at the end of year 2017, it was apparent that with almost half of the earthworks being completed, the quantities of rock excavation, unsuitable material and piling works had been over-provided in the bills of quantity, hence, requiring a downward revision in the contract sum, both at the associated company level as well as at TCSB level. Coupled with the increasing steel prices, the project margin was also reduced correspondingly. As at the end of the year, the actual progress of works undertaken by TCSB is 33% against the planned progress of 44%. The delay in the progress was principally attributed to the inability of the structural works to commence work due to the non-completion of earthworks by another sub-contractor, inclement weather and delay in issuance of work permit by the authorities. Nevertheless, the company has applied for the necessary extension of time to complete the project.

The overall business environment for the construction industry remains tough. Nevertheless, for the year 2017, TCSB recorded a PAT of RM1.17 million (2016: RM1.08 million) on the back of revenue of RM51.54 million (2016: RM39.56 million) with gross profit margin marginally higher at 11.6% compared to 10.8% the year before. During the year 2017, no new projects were secured. Nevertheless, we are continuing with our efforts to tender for more projects, primarily in the infrastructure sector to boost our order book.

WASTE MANAGEMENT DIVISION

To maintain a satisfactory customer service level, the company upgraded its quality management system to ISO 9001:2015 and maintained the certification of ISO 14001:2004.

Due to the sheer size of logistics and manpower requirements, 2017 continued to be a challenging year for SWMH to manage its waste management operations in the three southern states of Malaysia, namely Negeri Sembilan, Malacca and Johor. The rapid on-going residential and commercial developments, especially in Malacca and Johor has resulted in the number of household premises and public places that require cleansing to keep escalating and therefore demands from the public is ever increasing. To optimise the efficiency of its operations and to manage its costs more efficiently, SWMH has implemented several measures during the year. This includes the usage of environmental friendly tyres for its operation vehicles that give a higher mileage, longer lifespan and durability, particularly the compactors 5T-16T with mechanical lifters, ultra-whack desludgers, high pressure water jetters, RORO trucks, road sweepers, tail lift tipper trucks. Additionally, in order to reduce the cost of fuel which constitutes 4% of the total operating costs, the company has installed two home-based skid tanks located in the Johor and Seremban depots, which allow for better control and procurement of fuel at a much lower price.

Manpower cost forms a major component of the company's operating expenditure. One of the main key success factor is the continuing efforts made by the company to improve human resources management by upgrading the skillset of employees to continuously meet market demands and customer expectations. To this end, four outstanding employees were selected to attend a course on Certified Environmental Professional in Scheduled Waste Management. The company's human capital developments have been duly recognised with the following awards awarded during the year:

Malaysia Best Employer Branding Awards

3rd Edition by Employer Branding Institute – India

Productivity-Linked Wage System Certificate of Recognition by Ministry of Human Resource Malaysia

Malaysia HR Award – Employer of Choice

Gold Award (Private Sector) by Malaysian Institution of Human Resource Management

Malaysia HR Award – HR Leader

Gold Award to Head of Department by Malaysian Institution of Human Resource

To mitigate and minimise non-compliance deductions and ensure conformity with the company's service levels, the company launched an incentive-based scheme to reward and recognise operations' supervisors who meet and exceeded monthly performance standards. This incentive is aimed, not only to reduce non-compliance deductions, but also to improve the company's performance in terms of reducing public complaints, claims for damaged windscreen and higher usage of mResponz – a mobile application that helps operators to monitor work processes with GPS and security controls.

MANAGEMENT DISCUSSION AND ANALYSIS

To maintain a satisfactory customer service level, the company upgraded its quality management system to ISO 9001:2015 and maintained the certification of ISO 14001:2004. Risk-based thinking was introduced within various levels in the organisation and commitment towards sustainable development is enhanced through the installation of sediment trap and oil trap at the various depots. SWMH had also increased the number of scheduled waste competent staff and a number of innovative systems have been specifically developed and customised to be able to manage and monitor operations more effectively, including the centralised Customer Relationship Management system (SWM Responz) that operates round the clock. With this, public can now channel their feedback, enquiries and complaints at any time through a toll-free number. The implementation of the daily monitoring and briefings to operations, as well as setting internal targets, the waste management operations has successfully achieved its target set by SWCorp Malaysia, the regulatory body established and entrusted by the Federal Government to manage the waste management for the nation. Customers' complaints are one of the two key indicators service level measured by the SWCorp Malaysia, the other being the non-compliance of services.

In line with the Government's effort to optimise expenditure in 2017, the waste management sector was not spared and this resulted in a reduction in revenue achieved by 3.7%, from RM892.26 million in 2016 to RM859.43 million. Several of the cost optimisation efforts coupled with various cost control measures implemented has assisted the company in reducing its operating and administration expenditures by almost 2.9% in the current year, despite the onslaught of inflationary factors such as manpower costs, vehicle maintenance and spare parts and increases in fuel prices. Finance cost for the year came up to RM86.07 million (2016: RM74.80 million) mainly due to the increase in the amortisation of the Islamic Medium Term Note (IMTN) transaction costs, as well as the higher provision of interest on promissory note issued. Despite the lower operating and administration expenditures, the waste management division recorded a lower PAT by 20% when compared to the year before primarily from lower revenue, higher financing and depreciation costs.

To mitigate any potential risks faced by the operations, the company has completed its risk management process in the last quarter of the year by developing a comprehensive risk management framework to monitor all of the risks identified affecting the waste management operations. Out of the total risks identified, 5 risks or 17% have been categorised as high risks that the company would be keeping a keen eye on, whilst significant risks accounted for 40%. On the regulatory front, no significant matters have arisen during the year that would severely impact the operations of the company going forward.

SUSTAINABILITY STATEMENT

Our approach to delivering sustainable value:

As an established pure-play infrastructure company, the way we optimise our key resources, manage the internal environment and interact with our ever-evolving external environment are influenced by our long-term strategic approach to achieve sustainable value. Sustainability thus, facilitates the delivery of outcomes for customers, employees, the environment and communities, alongside ensuring investors receive an appropriate return.

Our Annual Report and Audited Financial Statements aim to meet the information needs of our investors as a whole, to help them to make informed decisions. Through the Sustainability Statement, we provide a wider cache of information pertaining to aspects of our Economic, Environmental and Social ("EES") performance.

As part of the journey towards an integration of sustainability into our business, we are guided by Taliworks' vision and commitments. We continuously strive to achieve responsible and balanced commercial success by providing services that are delivered in a socially, environmentally and ethically sound manner.

SUSTAINABILITY STATEMENT

Our vision is to be a formidable and respected service provider for the Water, Waste Management and Infrastructure Business in the region. We are committed to:

- Delivering exemplary services and value propositions to our customers through focused and customer-oriented interactions;
- Being ethically and socially responsible in undertaking our business affairs, with emphasis given to adopting eco-friendly practices within the organisation;
- Promoting human resource capital development to enhance the value of employees as a value-asset to the organisation; and
- Providing sustainable and equitable returns to shareholders through business progression and value creation.

REPORTING SCOPE AND BOUNDARIES

This Sustainability Statement covers the operations of Taliworks and its subsidiaries, major joint ventures and associate companies for the financial reporting year from 1 January 2017 to 31 December 2017. This Statement is guided by Amendments to Bursa Malaysia Securities Berhad Main Market Listing Requirements relating to Sustainability Statement in Annual Reports.

GOVERNANCE AND MATERIAL ISSUES

Good governance lies at the heart of our success, contributes to better management decisions and reduces potential risks. The company structure and governance standards are designed to ensure that the Board continues to provide sound and prudent supervisory oversight.

Given the legal and regulatory environment that impact our business, the highest standards of governance are essential. Each quarter, senior management across each business division of the Group undertake business reviews, including the identification and evaluation of potential opportunities and risks which then comes under review of the Board. The Corporate Governance Report presents further information on the Board's oversight as well as its leadership, effectiveness and accountability.

Governance

Genuine sustained change takes time, but we have begun the process. We have formally recognised the Board's oversight of our most material sustainability risks and opportunities by forming a Sustainability Steering Committee ("the Committee"). This comes from the Board's commitment to upholding our values of transparency, integrity and enterprise in the discharge of the Board's duties and responsibilities and in all of its dealings.

Through the Committee, there will be greater focus and accountability for achieving sustainability goals and performance. We aspire to do better than just meeting basic expectations. We strive to provide products and services which are built on responsible and transparent conduct.

The main objective of the new sustainability governance structure is to be a conduit between the Group's Executive Committee ("EXCO") and the Group's sustainability committee by providing the EXCO with updates regarding sustainability priorities and progress across Taliworks' business divisions.

Essentially, the Committee is to act as a committee of Taliworks and its subsidiaries ("the Group") to assist in discharging the responsibilities of the management of the Company in:-

- Guiding and driving the implementation of sustainability agenda within the Group;
- Integrating both business and sustainability priorities within the Group;
- Establishing appropriate frameworks and policies formalising the Group's approach to making sustainability a core mission within the organisation; and
- Complying with the sustainability reporting requirements set by the authorities.

Alongside the Committee, the Audit and Risk Management Committee reviews the health, safety and environmental risks of the Group through a risk management framework. The Risk-Based Internal Audit Plan is reviewed on a yearly basis in respect of the changes in both the internal and external risks faced by the various core operations and industries, incorporating both financial and non-financial issues. For more details on internal audits, please refer to the Audit and Risk Management Committee Report.

SUSTAINABILITY STATEMENT

Our Group is guided by aforementioned specialised committees, as well as the following policies and systems:

Category	Policies and Systems
Economic	• Board Charter • Code of Business Conduct and Ethics for Directors ("the Code") • Whistle-Blowing Policy
Social	• Board Diversity Policy • Employment Handbook • Succession Planning Policy

Please refer to our Corporate Governance Report for details on the Whistle-Blowing Policy.

Site Visit to Water Treatment Plant

Stakeholder Engagement

In our dynamic business environment, the reinforcement of our accountability and transparency expected from the Board in delivering long-term value propositions to shareholders and to consider all needs and interests of our stakeholders are implemented through a multi-channel stakeholder engagement process.

Engagement with the Authorities

In 2017, our water and engineering division companies engaged with the respective regulatory authorities on various occasions as part of their initiative to engage with the stakeholders in the process and regulatory upkeep of their business operations. On one of these occasions, Sungai Harmoni, together with the Ministry of Health ("MOH"), conducted a river surveillance audit on Sungai Selangor to enhance the environmental practices. It involved the sharing of information on the issues of river pollution and the ways in which this could be managed. Taliworks (Langkawi) co-hosted with SADA, the series 01/ 2017 National Water Services Commission ("SPAN") CEO Meeting in Langkawi and conducted a site visit to Malut dam sharing their experiences in operating this dam.

Materiality Workshop 2017

Materiality

Our Sustainability Statement reporting framework is guided by the identification of material issues. This year, we conducted a materiality assessment to identify and refine material issues to better align the company's vision to this sustainability integration, as well as to increase our yearly tracking and disclosure on quantitative data per material issue.

In the event where we consider a topic is material to a large number of stakeholders, we either include it in this report or cross reference to other reports and information (such as the Corporate Governance Report or Statement on Risk Management and Internal Control). We believe this approach meets the requirements of the Bursa Malaysia Listing Requirements. Our aim is to go beyond those minimum requirements in order to reflect our progress in this area.

The baseline assessment was undertaken via a workshop conducted in 2017, which involved senior management and heads of department across all our divisions to collectively identify every aspect of our business that may be important to our stakeholders and to our business. Further guided by industry, media and trend analyses of benchmark leading companies in the local and global range, our assessment produced the following list of material issues.

ECONOMIC GROWTH

- Maintaining Regulatory Standards
- Product Stewardship
- Customer Management
- Supply Chain Practices

ENVIRONMENTAL PROTECTION

- Noise
- Energy
- Greenhouse Gas Emissions
- Waste Management
- Effluent

SOCIAL CONTRIBUTION

- Workplace
- Contribution to the Community

SUSTAINABILITY STATEMENT

ECONOMIC GROWTH

- Maintaining Regulatory Standards
- Product Stewardship
- Customer Management
- Supply Chain Practices

We take pride in our innovation to deliver with efficiency, take ownership of the services we provide, and take responsibility in ensuring that we operate ethically and uphold our customer-first policy. In order to manage risks and economic headwinds, we have top-down policies and procedures in place. Our Board Charter reinforces commitment from the top and ensures that governance is guided by ethics and trust.

MAINTAINING REGULATORY STANDARDS

In our industry of providing national infrastructure and services, adhering to applicable regulatory standards pertaining to our business activities is imperative. We work towards maintaining a strong and successful track record as a trustworthy provider of products and services.

Division	Systems	Standards and Regulations
Water and Engineering		
We endeavour to secure and maintain appropriate accreditations for our water treatment plants and adhering to cleanliness standards for this public utility. Authorities applicable to this business division are SPAN, Department of Environment ("DOE") and the MOH.	• ISO 9001:2015 • MS ISO/IEC 17025:2005 • ISO/IEC 27001:2013 • National Dual Training System (NDTS): CM-060-2:2014 and CM-021-2:2014	• Water Quality Report to SPAN • National Water Quality Standards for Malaysia • Environmental Quality Act 1974 (Act 127) • Occupational Safety and Health (Act 1994)
Toll Highway		
As the concessionaire and operator of two highways, we report to the authorities relevant to this division, particularly the Malaysian Highway Authority ("MHA"), in making sure the highways are at the required service level and not detrimental to the environment.	• ISO 9001:2015	• MHA Guidelines for Monitoring on Operation and Maintenance, including the Assessment for Operation Control and Maintenance for the Environmental Aspect for Highway Currently Operating and Under Construction.

Division	Systems	Standards and Regulations
Toll Highway (continued)		• Standard Operating Procedures Guidelines, including among others: ○ Procedure Maintenance For Toll Collection System – MHA & Concessionaire ○ Procedure on Toll Collection System ○ Procedure on Compensation, Revenue Sharing and Research Contribution, Highway Training and Development
Engineering and Construction For the projects that we are awarded, we ensure to continuously deliver quality end products in time and within budget, while complying with legal requirements and policies that regulate quality and safety of our operations and products.	• ISO 9001:2015 • Quality Policy	• Qualified Safety Personnel and project-specific Safety Manuals • Environmental Management Plan that outlines the planned environmental controls, monitoring and reporting at our construction sites.
Waste Management Our integrated waste management services are offered in the southern region of Malaysia, namely Johor, Negeri Sembilan and Melaka. Our vast 27,650 km² coverage is managed by regulatory systems and standards of waste management that are governed directly by the Federal Government (National Solid Waste Management Department, "JPSPN").	• ISO 9001:2015 • ISO 14001:2004	• Environmental Quality Act 1974 (Act 127)

SUSTAINABILITY STATEMENT

Case Study for Engineering and Construction Compliance

From an environmental perspective, the Langat 2 reservoir site is unusually sensitive. It is also a challenging site to institute erosion and sediment controls owing to the voluminous earthwork to be executed, exceptional heavy rainfall experienced over the year, steep natural terrain surrounding the site, and the congested reservoir platform, which is preventing us from constructing a proper sedimentation pond system. In addition, the site is located upstream of an existing river intake that abstracts raw water from the river for treatment into potable water.

Despite the challenges mentioned above, our environmental compliance audits in 2017 have been effective in mitigating any occurrence of non-compliance. As the project continues into 2018, we will maintain our duty of protecting the environment by minimising adverse impacts from our construction activities.

PRODUCT STEWARDSHIP

Water and Engineering Stewardship – Provision of Quality Water

Our water services extend from sourcing, treating and distributing water to reach consumers' homes in an acceptable standard for consumption. Therefore, as a part of this value chain, the life cycle of the water service comes under our purview.

We supply treated potable water to the entire island of Langkawi and parts of Selangor and Kuala Lumpur. Good water stewardship stems from the understanding that potable water is an exhaustive resource and factors such as weather variability, equipment breakdown, political context and sudden changes in demand can contribute to the variability and stress on water supply. The challenges to water companies in addressing these issues is to minimise interruptions and downtime following any events that contribute to the non-compliance to water quality and quantity, and to ensure a continuous water supply to our customers.

In Malaysia, our water sources and supply are not majorly affected by climate change, therefore as a nation we direct our water stewardship efforts towards the protection and maintenance of our water bodies.

Non-Revenue Water

In conserving our water resources, Taliworks aims to reduce the volume of Non-Revenue Water ("NRW") i.e., the physical and commercial losses of water along the distribution system, so as not to affect the average production volume. This would mean a reduction in water wasted from source to point of use, hence more water will be profitised, although it is not possible to delineate all NRW. Initiatives to reduce NRW implemented for Taliworks Langkawi's distribution line include:

- Identifying pipelines with high leak frequencies through Geographic Information Systems ("GIS") and active reporting on any visual leaks encountered;
- Replacing spoilt consumer meters;
- Implementing the Active Leakage Control ("ALC") programme in collaboration with a consultant;
- Installing advanced pressure management systems; and
- Staged replacement of pipes of low quality.

Description	2017
Cost incurred for NRW and ALC initiatives *(2017 cost includes consultant fees, i2O software (inclusive of service fee) and pipes replacement)*	RM430,065.00
NRW (% of NRW in proportion to the total water produced)	42.5%[1]
Combined reduction of NRW from the implementation of ALC programme	2,917 m^3 per day
Average production (MLD, millions of litres per day)	94.5

[1]The national target by 2025 is to reduce national average of NRW to 25%.

Out of the 42.5% total NRW, the physical losses component (through pipe leakage and burst) is 27% while the commercial loss component is 15.5%. These commercial losses can be due to meter under registration (from aging meters), incorrect billing to consumers, the incorrect or incomplete payments made by customers and the unauthorised consumption of water. Commercial losses of water due to aging meters is a major contributor of NRW in Langkawi. However, the replacement of these aging meters relies on the provision of supply of new meters by other external providers stakeholder, with which Taliworks Langkawi is currently working towards addressing. Currently, unauthorised consumption cases are low, amounting to only 0.05% of the NRW in 2017.

Ensuring High-Quality Water

In maintaining the quality of our water resources, Taliworks continues to prioritise the quality of water in our reservoir and catchment areas and to conduct regular checks so we can plan and adopt our water treatment methodologies when necessary. Doing so regularly, and at the source of raw water abstraction, will eliminate greater disruption along the value chain and is a more cost and time effective remedial and preventative action.

The treatment plant equipment and containers in which the water is harboured are also regularly maintained, keeping it in good optimal working condition and up to the regulatory standards. We remain vigilant in monitoring our raw water quality and responding immediately to any issues faced. We will respond promptly to changes in the raw water quality so as to minimise any disruption in the water treatment process.

SUSTAINABILITY STATEMENT

Toll Highway Stewardship – Ensuring Road Safety

As the concessionaire and operator of highways, we have a responsibility to ensure traffic operations and control initiatives are in place to provide a seamless ride and to ensure safety for road users. For our toll highway division companies, Grand Saga and Grand Sepadu, we prioritise action in enhancing customer satisfaction, with the safety of our road users being top-priority on our list.

Highway Maintenance

Regular maintenance works are vital to help preserve road functions and its structural integrity. A proper maintenance, inspection and reporting system ensures effective highway management. Regular maintenance is requisite of all highway infrastructure and toll equipment, as well as the facilities and amenities so as to be able to deliver the promise of uninterrupted service.

Public Safety

Our highways have implemented various emergency assistance systems. Grand Saga's and Grand Sepadu's Saga Ronda Services attend to all incidents at both Cheras-Kajang Highway and New North Klang Straits Bypass Expressway ("NNKSB Expressway"), reporting information back to our Command Centre for immediate action. These incidents include accidents, vehicle breakdown, driver and passenger first-aid.

In keeping our road users updated with traffic conditions along the highways, we have traffic surveillance cameras installed to enable Grand Saga's and Grand Sepadu's Traffic Control Centres to provide real-time information that is manned by the MHA. Early identification of potential traffic-inducing incidents will be addressed and handled quickly to reduce traffic build-up, by conveying the roads' status to road commuters through our Variable Message Signs ("VMS") and Social Media channels.

With regard to responding to activities outside our businesses activities and control, such as open burning activities along the highway mainline, our toll highway division workforce will report this to a third-party authority to ensure road safety for our road users.

Ensuring Road Safety During Festive Seasons

During peak-congestion periods such as festive seasons, Grand Saga and Grand Sepadu actively organise Road Safety Campaign programmes and activities with Malaysian Association of Highway Concession Companies. In 2017, we invested RM45,000 into these campaigns. This outreach programme benefitted more than 20,000 road users. Goodie-bags with Road Safety brochures were provided to road-users to promote positive and safe driving ethics during congested traffic flow. The Selangor Road Safety Department also conducted the exchange of old helmets with new helmets for some motorcycle riders.

Mitigating Traffic Congestion

The Cheras-Kajang Highway experiences peak period traffic congestion; KL-bound traffic in the morning and Kajang-bound traffic in the evening. Together with Dewan Bandaraya Kuala Lumpur and Kuala Lumpur Traffic Police, we conduct 'contra-flow' operations to mitigate the congestion. Over the past 12 years, it has greatly alleviated the congestion by facilitating seamless traffic between the Highways and the city-centre.

Traffic Patrol Staff

During peak periods, traffic is reduced through methods such as redirecting vehicles to permitted routes (in the case of obstructed lanes), removing foreign objects in obstructed lanes, preventing unauthorised stopping of vehicles along the highways and reporting incidents such as accidents or floods. These traffic patrolling staff have regular and frequent patrolling shifts amongst themselves, so that road-user safety is covered throughout the day.

Efficient Toll Collection

Our highways allow the use of Portable Readers ("Pideon") if our electronic toll collection is unable to operate (possible during system downtime) and during congestion periods at the toll plazas. As part of its service commitment, staff are stationed at the toll plazas to address operational problems caused by faulty Touch 'n Go cards, following the implementation of full electronic toll collection nationwide in 2017.

Road User Facilities

We have motorcycle shelter, petrol and service stations, pedestrian bridges and a Rest and Service Area, to ensure public safety to drivers and other road users.

CUSTOMER MANAGEMENT

In recent years, we have made great strides in improving customer satisfaction, underpinned by better operational performances. We are pleased to report yet another year in which underlying customer satisfaction has improved across the organisation.

Our diverse business activities enable us to interact with various groups of customers. The customers of our water division are the consumers of our water in Taliworks Langkawi. Customers of our engineering and construction division are the project managers, as well as the owners of the large-scale, often nation-building, infrastructure projects. Our highway customers are the road-users, while our waste division customers are the public community in the areas that our waste management division serves. Altogether, our business divisions aspire to provide the best customer services. We constantly evolve the services based on customers' responses by tailoring our approach to meet our customers' expectation.

Water and Engineering

Taliworks Langkawi issues hard-copy survey forms to customers' houses to obtain their feedback on our provision of water. In 2017, our survey received 732 responses of which 94% of customers in Langkawi are satisfied and pleased with Taliworks Langkawi services (21% excellent, 48% good, 25% satisfactory, 5% unsatisfied and 0% poor).

SUSTAINABILITY STATEMENT

Toll Highway

Customer management for our highways is also important to us, as we continuously seek feedback on how our highway operations and maintenance can be improved for our road users. Our highways stewardship practices can be seen in the Economic Growth of the Sustainability Statement. In obtaining customers' feedback for highways, our highways customer service personnel are available 24 hours to offer assistance and to deal with all emergencies. Other than hotlines and emails, we also engage customers through other media platforms like website, Facebook, Twitter and our VMS.

In 2017, our highways users' satisfaction survey was part of the national highway survey rolled out in 2016 by Malaysian Association of Highway Concession Companies to gauge customers' satisfaction and the expectation of road users towards Malaysia's highway systems. The surveys of our two highways raked a total of 750 highway users' responses (500 highway users of Cheras-Kajang Highway and 250 highway users of the NNKSB Expressway. Assessed across five main service areas of overall highway management, Cheras-Kajang Highway achieved an average score of 75.8%, and NNKSB Expressway achieved an average score of 79.6%. During the satisfaction survey period, the Cheras-Kajang Highway's satisfaction ratings were influenced by a nearby construction work, which affected our highway's road condition. However, Grand Saga cleaned and maintained the road to its original condition upon completion of the nearby construction.

Engineering and Construction

The engineering and construction division, guided by our quality management system that is certified to ISO 9001:2015, aims to provide high quality infrastructure services and products in compliance with monetary and time targets specified by the project owner.

Description	2017
Customer Satisfaction Survey	
Target satisfaction rating (%)	60
Average satisfaction rating for our 3 active projects in 2017 (%)	>60

Waste Management

SWME provides public cleansing and municipal waste collection for the states of Negeri Sembilan, Melaka and Johor in Malaysia. SWM Responz is a system where customers' feedback and complaints are channelled to. It provides a direct communication avenue between customers and SWME through their hotline call centre. It serves as a platform to disclose SWME's customers' satisfaction performance. We received 67% of 2017's total feedback through the hotline call centre.

Other platforms for customer engagement include the hotline call centre, emails, media mentions, and the nation's waste-specific complaint forum called Aduansisa. Feedback is welcomed with regard to solid waste collection, street sweeping, drain cleansing and grass cutting.

SWME's target (set by SWCorp) for 2017 was to achieve a 5% reduction in the total number of complaints from 2016. The actual complaints received for 2017 had increased by 13 from the previous year. SWME endeavours to continue strengthening customer satisfaction initiatives. Some of these initiatives include:

- A Contract Service Management System that monitors and updates contractor profiles, billing, schedules, tenders and payments while assisting in resource planning;
- An Enterprise Resource Planning System that rounds up as the backbone of the Group's business system with core modules for Finance and Control, Procurement, Plant Maintenance, Project Systems and SAP Business Workflow; and
- By investing in these systems, it is anticipated that significant savings in costs and downtime can be achieved whilst improving both service level and safety records.

In addressing the complaints received by SWME, immediate monitoring and follow-ups are conducted to resolve the issue completely and in a timely manner. In a nutshell, complaints should be resolved in not more than two working days from the receipt of the complaints. In 2017, out of the total public complaints received, 86% were addressed and resolved within the response time. In respect of those exceeding the two-day limit, SWME will

notify the issuer of the complaint with a date of when a reply or resolution can be expected. For alarming trends where cleansing and collection is compromised, operations at SWME are required to take measures and report on the action plan to rectify the issue. Follow-up actions include immediate remedial meetings with the relevant operations department for immediate mitigation.

SUPPLY CHAIN PRACTICES

At Taliworks, we encourage all our business divisions to have a majority of local suppliers. This is one of our ways to support and encourage nation-building through empowering local suppliers and contractors. We are guided by a Sustainability Procurement Policy which promotes good procurement practices in the purchase of corporate equipment, encouraging energy-efficient and environmentally friendly product options and advocating responsible disposal of those products. Across the Group, the spending on our local suppliers averages at 90%, and in some cases 100%.

Engineering and Construction

For our engineering and construction division, we only appoint external providers who are listed in the List of Approved Sub-Contractors and Suppliers. New potential external providers are prequalified against a set of criteria that includes past job profile, company and financial background, technical competency and experience of key staff, plant, machinery and equipment owned, relevant licenses and registration with Authorities and Quality Management System.

Performance of approved external providers who are either undertaking or recently completed works for the division shall be assessed against a set of criteria consisting of pricing and payment term, planning and delivery schedule, workmanship and quality control, resources and efficiency, responsiveness to instruction, adaptability to changes and level of cooperation. Findings from this performance assessment may cause underperforming external providers to be deregistered from the List of Approved Sub-Contractors and Suppliers.

SUSTAINABILITY STATEMENT

ENVIRONMENTAL PROTECTION

- Noise
- Energy
- Greenhouse Gas Emissions
- Waste Management
- Effluent

We acknowledge our responsibility as a diverse conglomerate in various business divisions, in monitoring and minimising our environmental footprint to achieve Taliworks' mission and goals.

Highways Greenery and Green Areas

Our highways cover a total length of 29 km that run through a long stretch of land to improve local connectivity. Examples of our 2017 initiatives to maintain highway greenery and overall appeal, are:

- Routine maintenance of grass;
- Drainage cleaning (desilting) to prevent blockage and for ground water protection;
- Landscaping at slip roads and interchanges along the mainline;
- Periodic plant pruning activities to maintain the safety standard of highway users by minimising risk of overgrown branches to road users;
- Regular highway maintenance; and
- Compliance to MHA environmental policy and guidelines.

Alongside this highway greening effort, a Highway Green Day event organised by the MHA hosted various activities and competitions. Grand Saga's participation in a short video competition and the "Recycle Design" competition both won the 3rd placing.

NOISE

We monitor our level of noise emissions along the highway regularly as part of our commitment to our stakeholders, including staff and the communities living with the vicinity. As part of the noise mitigation measures, we have installed concrete noise barriers to reduce noise transmission from the highway to nearby residential and commercial buildings. These were implemented for an approximate 900-metre span along the Cheras-Kajang Highway.

ENERGY

Taliworks' water treatment plants run continuously to treat and distribute water for a continuous and undisruptive water supply. While the water treatment plants are energy-intensive in nature, Taliworks Langkawi and Sungai Harmoni monitor and manage their electricity consumption in order to make energy-saving deductions, where possible. An Energy Manager was appointed to monitor and manage energy consumption, as well as applying regular energy audit grants via Registered Energy Service Company ("ESCO"). We were awarded the grant in 2017 to identify potential energy-saving opportunities through the plant site. Specific energy consumption for these plants are:

Description	2017
Total electricity consumption for Taliworks Langkawi (kWh)	34,580,879
Total electricity consumption for Sungai Harmoni (kWh)	160,505,096
Overall specific energy consumption at the Intake and Treatment plant (kWh/m^3) 0.4166 kWh/m^3 in 2015 0.4212 kWh/m^3 in 2016	0.4332
Overall specific energy consumption at the Intakes, Treatment Plants, Bunded Storages and Dam (kWh/ m^3)	1.003

GREENHOUSE GAS EMISSIONS

Our highways are regularly maintained and patrolled with the use of our road sweepers, water tankers and patrolling vehicles. To control the greenhouse gas emissions of these vehicles, Grand Sepadu and Grand Saga conduct regular maintenances of these vehicles to upkeep their conditions to the manufacturers' standards and to ensure the safety of the driver and the public when these vehicles are deployed.

WASTE MANAGEMENT

Construction waste is a material issue for all engineering and construction companies. While managing the construction waste can be project-dependent and determined by available facilities, our division has set up Key Performance Indicators ("KPIs") for construction personnel to be resourceful and efficient in their use of construction material at site to minimise volume of waste generated. To be effective, it requires the collaboration of efficient construction practices and relies on the sense of responsibility amongst site personnel towards preservation of natural resources.

Our target for 2018 is not to exceed 5% material wastage of our steel reinforcement bars, ready-mix concrete and large diameter pipes used for our projects.

EFFLUENT

The management of effluent is material to our water treatment processes. Any improper management of effluent or the sludge waste will result in pollution of the surrounding water bodies. However, this issue is addressed by undertaking initiatives to properly manage our water treatment residuals and to ensure appropriate disposal methodologies that are compliant with the regions regulations are practised. In 2017, our water treatment's sludge generation amounted to:

Description	2017
Sludge Generated (MT)	
Taliworks Langkawi	969
Sungai Harmoni	20,925

In 2017, 89.8% of sludge generated from our water division was sent to landfills or approved sites. However, we strive to minimise our landfill impact by treating the sludge using Geotube Bags ("Sludge dewatering bag"), drying it to a compact solid. To ensure quality monitoring and treatment of Taliworks Langkawi sludge, appointed staff were provided with training and certification for a Certified Environmental Professional in the Operation of Industrial Effluent Treatment Systems (Physical Chemical Processes) ("CePIETSO") and Certified Environmental Professional In Scheduled Waste Management ("CePSWaM").

Sludge Dewatering Bag

SUSTAINABILITY STATEMENT

SOCIAL CONTRIBUTION

Workplace

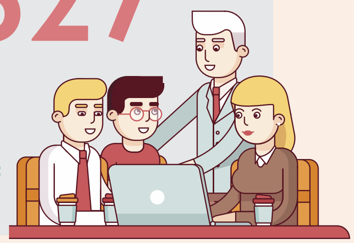
Contribution to the Community

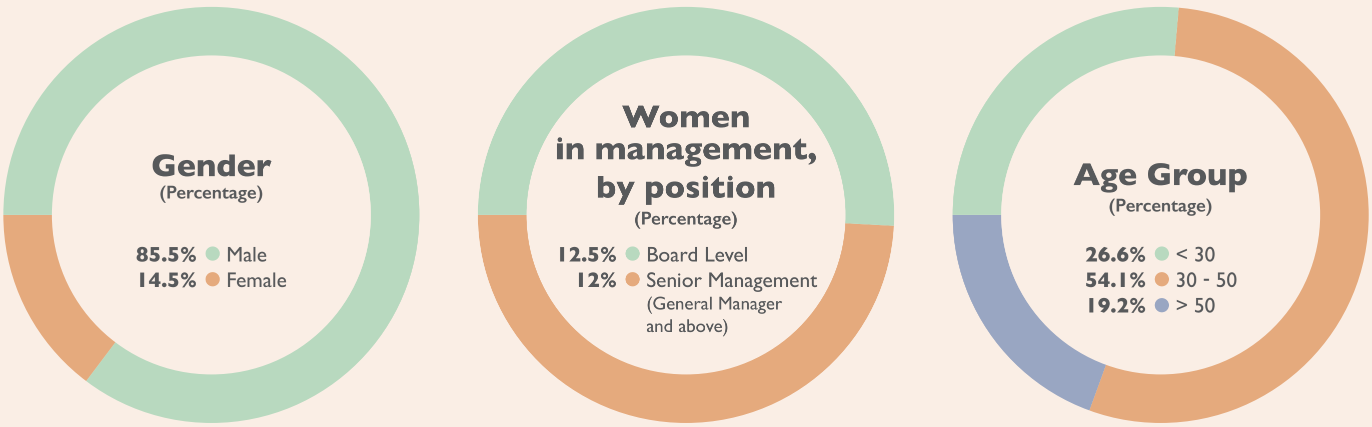
At Taliworks, we view our people as an invaluable asset. We set our priorities in providing training to our employees and delivering a safe and comfortable working environment. Fairness, honesty, professionalism and loyalty are part of our ethos and philosophy. Most importantly, we embrace team work and family spirit that fosters camaraderie across the company, whilst maintaining efficient work practice at all times.

Diversity and equal opportunity is a key component to develop a fair workplace, hence we have adopted a merit-based and non-discriminatory hiring practices.

8,627

TOTAL NUMBER OF EMPLOYEES





The high proportion of male employees is due to the nature of our businesses where there is a relatively high number of employees at the water and waste management divisions being hired as truck drivers, operators, waste collectors and general workers.

Health and Safety

The diversity of the business activities at Taliworks requires us to pay special attention to how our practices prioritise our employee and public safety.

For the waste management division, SWME enhances the skills, knowledge and attitude of the drivers, general workers and supervisors in their health and safety at work. In 2017, we carried out 49 training activities where a total of 1,240 employees were trained in areas ranging from Schedule Waste Training to our HR Induction Training (basic safety precautions in the workplace).

Our tolls concessionaires ensure adequate health and safety equipment and uniform to all our toll tellers and traffic personnel, including provision of face masks to protect against daily vehicle emissions. We display safety bunting at the workplace to instill safety consciousness.

Sungai Harmoni carried out a Safety and Health Week in 2017 with the aim to create awareness among the staff on the importance of safety and health practices in the workplace. We invested RM11,000 towards the activities held during the Safety and Health week, where all offices and water treatment plants' staff participated in the activities.

On the matter of health and safety at our construction sites, we have regulations and policies that promote safe practices among our employees and workers at the workplace. We appoint qualified and competent Safety Personnel to oversee the compliance of health and safety requirements at our construction sites. The Safety Personnel or Safety Supervisor is responsible for the preparation of the project-specific safety manual and to ensure that the workplace environment as well as all related practices comply with the safety and health requirements as stated in the manual.

We strive towards a culture of zero fatality among our subcontractors and workers at our construction sites. The Occupational Safety and Health programme at site commonly includes:

- Conducting toolbox meeting (normally on a daily basis);
- Conducting safety induction training for new workers, regular production of safety reports;
- Maintenance of pertinent statistical data, identification of hazards, promotion of safe practices (including proper use of hand tools, apparatus, plant equipment and machinery);
- Enforcement of use of appropriate Personal Safety Equipment;
- Emergency procedures; and
- Compliance with confined space requirements.

Safety and Health Audits carried out to date for our construction projects are summarised in the table below:

Description	2017
Cumulative man-hours without Lost Time Injury	
Langat 2 Package 7 (62 employees)	137,608
Ganchong Package 3A (72 employees)	152,912
Number of injuries	0
Number of fatalities	0

Road Safety Campaign for Hari Raya Aidilfitri 2017

SUSTAINABILITY STATEMENT

Inter-Company Sports Competition

Employee Welfare and Wellbeing

We work towards attracting qualified and competent individuals that can support our business growth, and at the same time we pay equal attention to retaining these employees by reciprocating employee efforts with benefits to advance their welfare and wellbeing. We engage regularly with our employees by carrying out employee surveys to gauge their satisfaction level towards their workplace, and to identify any areas for improvement.

Our employee engagement initiatives support employees in leading a balanced and healthy lifestyle through sports activities and provision of recreational amenities. Employee engagement initiatives in 2017 included Sports and Recreational Passport, Employee Sports Day 2017, Inter-Company Sports Competition, Zumba Classes, and Managers Forum.

Employee Sports Day 2017

Training and Development

We continue to invest in our employees' capabilities and opportunities to grow, providing our workforce across our different business sectors with training programmes that will enhance their industry-related and career developmental skills. Training programmes for ISO 9001, ISO 17025 and ISO 14001 were also provided to ensure effective implementations of the management systems. In recognising the importance of knowledge retention, we also facilitate training and knowledge transfer between the different divisions and business units. In 2017, a total of 5,175 employees attended the relevant training programmes offered.

Description	2016	2017
Percentage of employees receiving performance career development review	>80%	>85%
Employee training and development expenses	RM471,584.22*	RM703,604.55

* *Restatement of data due to the inclusion of SWME employee training and development expenses*

CONTRIBUTION TO THE COMMUNITY

Taliworks' operations cover different regions across Malaysia and operate within many different local communities. Our community engagement efforts are a vital aspect of our work as we have a responsibility to minimise disruption and contribute to the welfare of these communities. We strive to deliver social value to all our stakeholders, accommodating to their wants and needs as best we can, while strengthening our business presence.

Our approach to contributing to the communities is driven on a business-division basis as each division is more aware of ways that they operate, which may impact the nearby communities, and hence, value can be delivered in a way that align close to their core services.

In 2017, some of our approaches include:

Festive Celebration and Open House 2017

Festive Home Visit 2017

Festive Celebrations

We continue to make both monetary and in-kind charitable contributions to orphans, old folks and the poor and less fortunate communities during festive seasons.

In 2017, our toll highway division continued to offer toll discounts during major festive seasons. In 2017, this amounted to 668,108 vehicles with a total of RM96,713 toll discount offered.

Educational Site Tour at Sungai Selangor Water Treatment Phase 1

Knowledge Sharing

As part of our product stewardship, we extend the responsibility to educate the public on our products and services. This programme involves the cooperation from the respective schools, district authorities and relevant departments. For example, our toll highway division reaches out to schools and universities to share information on road safety with the objective to minimise national vehicle accident rate. In 2017, we reached out to 4 schools and 1 university, with a total of 800 students participated in the programme. Our water and engineering division also organised an educational site tour at Sungai Selangor Water Treatment Plant Phase 1, to educate school children on the water treatment process of producing clean and safe water for everyday use.

Our waste management division, through SWM Kasih, contributed towards knowledge sharing of waste management to the community. One programme in 2017, in collaboration with the Ministry of Education, reached out to 100 schools through providing education on waste reduction and waste segregation practices to encourage recycling amongst the school children on school grounds and at home. Another programme in 2017 was the Iskandar Malaysia Ecolife Challenge, a joint collaboration between the Iskandar Regional Development Authority, Universiti Teknologi Malaysia, Johor State Education Department and SWME. The challenge educated and encouraged waste

SUSTAINABILITY STATEMENT

Iskandar Malaysia Ecolife Challenge

reduction practices amongst the 346 participating schools, with prizes awarded to schools winning in the different categories. SWME's contribution in this was towards the collective cash prizes awarded to winning schools, as well as 19 sets of recycling bins worth more than RM50,000.

Disaster Relief

SWM Kasih provided assistance in disaster relief initiatives throughout 2017, including the late 2017 Penang Floods through assistance towards the Penang Flood Relief Mission.

Disaster Relief Initiatives

Blood Donation Drive

We organise a blood donation drive annually, encouraging voluntary efforts amongst our employees. Over 120 employees participated in 2017 and this initiative helped to assist the National Blood Bank in maintaining a positive balance of blood.

Environmental Community Programme

Taliworks Community Service Event in Collaboration with Community Recycle for Charity ("CRC")

Our corporate environmental community programme, in collaboration with CRC, is aimed at educating and inspiring employees as well as underprivileged children to adopt recycling habits to reduce our environmental footprint. The event demonstrated Taliworks' continuous commitment to work towards the betterment of our community, while encouraging our employees' involvement with society as well as increasing environmental awareness.

Bursa Bull Charge 2017

In line with our social responsibility efforts, our employees participated in the Bursa Bull Charge 2017, organised by Bursa Malaysia Berhad. This is a vital channel for us to help build stronger communities through its beneficiaries and an opportunity to help raise awareness on financial literacy and entrepreneurship.

Bursa Bull Charge 2017

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

This Statement on Risk Management and Internal Control ("Statement") is made pursuant to paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") which requires the Board to include in this Annual Report a statement about the state of risk management and internal controls of the Company and its subsidiaries ("Group").

Responsibility

- The Board is responsible for identifying and managing principal risks by establishing a sound risk management framework and in maintaining an appropriate system of internal controls within the Group by ensuring the effectiveness, adequacy and integrity of this system.

- Because of the inherent limitations, the risk management framework and system of internal control is designed to minimise and manage risks at an acceptable level rather than to eliminate them. Accordingly, the risk management framework and the system of internal control can only provide reasonable but not absolute assurance against any failure by the Group to meet its business objectives or to detect material errors, losses, fraud or breaches of laws, rules or regulations.

- Accompanying the maintenance of an appropriate system of internal control, is an on-going process to identify, evaluate, monitor and manage principal risks faced by the Group and is generally in line with the Statement on Risk Management and Internal Control (Guidelines for Directors of Listed Issuers) ("Guidelines") which is intended to guide directors of listed issuers in making disclosures concerning risk management and internal control in their company's annual report.

- Both the risk management and internal control process are undertaken by the Audit and Risk Management Committee which reports its findings to the Board. Whilst the Audit and Risk Management Committee has delegated the implementation of the system of internal controls within an established framework to the management, it is assisted by an in-house internal audit function which provides an independent assessment and the relevant assurance on the effectiveness, adequacy and integrity of the system of internal control based on findings from internal audit reviews carried out during the year in review.

- In respect of the risk management function, this role is undertaken by the Risk Management Working Group, chaired by the Executive Director.

- The Board reviews the appropriateness of the system of internal control in joint ventures which contribute significantly to the Group through the internal audit function.

- However, where the Group does not have full management control over associates that contribute significantly to the Group, it may seek the collaboration of the internal audit function of the associates to evaluate the system of internal control of said associates. In the absence of such internal audit function, it may seek the assistance from the management of the associates to undertake the review of their system of internal control.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

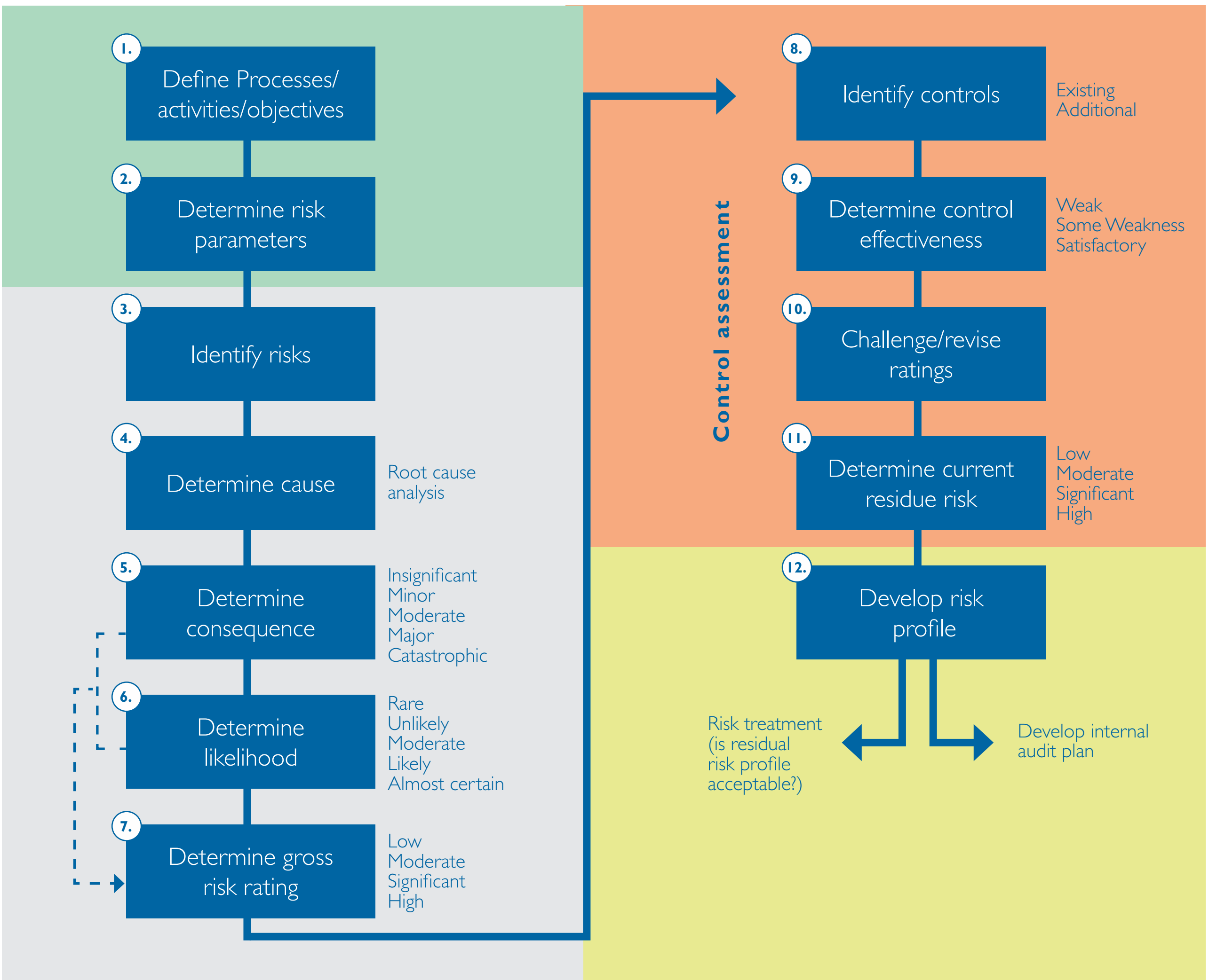
Risk Management Framework

(i) Adoption of a Risk Management Framework

- The Board has established a risk management framework for the Group by adopting the "Risk Management Policy and Guidelines Document" on 28 November 2014. This framework prepared in conjunction with external risk management consultants, consists of an on-going process to identify, evaluate, monitor and manage principal risks that affect or will potentially affect the achievement of the Group's business objectives.

(ii) The Key Steps Undertaken in the Risk Management Process

- The following summarises the key steps undertaken by the Group in identifying, measuring, controlling, monitoring and reporting of risks under the risk management framework: -



Risk Management Framework (Cont'd)

(ii) The Key Steps Undertaken in the Risk Management Process (Cont'd)

- To prepare the Risk Profile and Risk Register for the purposes of monitoring and reporting of risks, the Group has initiated several workshops attended by the risk owners in each of the business divisions to determine the risk parameters, identify risks, determine the causes, consequences and likelihood, identify controls before a comprehensive Risk Profile and Risk Register with action plans are developed together with the risk owners.

- Once the Risk Profile and Risk Register are developed, they will be reviewed by the risk owners twice a year to ensure that the Risk Profile and Risk Register remain relevant. Risk owners will also update the action plans taken or to be taken to mitigate the risks that were identified earlier in the Risk Register.

- The risk owners, who are normally at the operational level, will report their status to the head of business units who then collates and summarises the risks to be briefed to the Risk Management Working Group on a bi-annually basis in May for risk assessment as at 31 March and in November for risk assessment as at 30 September.

- This risk management process is an on-going process undertaken by the Group and such process has been in place for the year under review and up to the date of approval of this Statement for inclusion in the Annual Report.

(iii) Main Features of the Risk Management Framework

- The main features of the Group's risk management framework involve the following key processes: -

  (a) The management is entrusted to develop, operate and monitor the system of internal controls to address the various risks faced by the Group;

  (b) A database of all risks and controls is maintained and updated, and the information filtered to produce detailed Risk Registers and individual Risk Profiles. Key risk areas are identified and scored for likelihood of the risks occurring and the magnitude of the impact. Kindly refer to section (iv) below how the risks are scored;

  (c) Risk assessment reports are submitted bi-annually in May and November of each year and briefed by the various heads of business units to the Risk Management Working Group where the following are to be reported: -

    (i) the current status or new developments in any of the risks identified;

    (ii) any changes to the Risk Profile including new or removal of risks that were previously reported and the reason(s) thereof;

    (iii) any new or additional controls that are put in place to mitigate the risks; and

    (iv) the status of action plans to address each of the risk.

    The head of the Internal Audit function attends such briefings.

  (d) The Risk Management Working Group will report its findings to the Audit and Risk Management Committee which then reports to the Board;

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Risk Management Framework (Cont'd)

(iii) Main Features of the Risk Management Framework (Cont'd)

- The main features of the Group's risk management framework involve the following key processes (Cont'd): -

  (e) All updated Risk Profiles and Risk Registers will be tabled to the Audit and Risk Management Committee after they had been considered and deliberated by the Risk Management Working Group;

  (f) Annual re-assessment of risks is conducted selectively in all operational sites by a member of the Risk Management Working Group together with the risk owners where existing controls will be verified to ensure their validity and evaluation will be conducted to determine their effectiveness.

- Currently, risk management covers the three core businesses of the Group, namely the operation, treatment and maintenance of water treatment plants and distribution facilities, the construction and engineering division and the toll management division. During the year, the risk management of the waste management business undertaken by a major associate is not dealt with as part of the Group for the purposes of applying the Guidelines.

(iv) Risk Matrix

To enable the risk management assessment to be applied consistently across all business divisions, the Group has adopted the following risk matrix: -

Risk Rating

Impact / Likelihood	Insignificant	Minor	Moderate	Major	Catastrophic
Almost Certain	Significant	Significant	High	High	High
Likely	Moderate	Significant	Significant	High	High
Moderate	Low	Moderate	Significant	High	High
Unlikely	Low	Low	Moderate	Significant	High
Rare	Low	Low	Moderate	Significant	Significant

Likelihood of Occurrence

Description	Risk Likelihood Description
Almost Certain	Happens frequently
Likely	Likely to occur
Moderate	Might occur. Happened before but very rare
Unlikely	Unlikely to occur. Happened before but extremely rare
Rare	Has never occur before and is not expected to occur

Risk Management Framework (Cont'd)

(iv) Risk Matrix (Cont'd)

Magnitude of Impact

Description	**Financial Considerations**	**Non-Financial Considerations**
	% of Budgeted EBITDA	
Catastrophic	> 75%	• Reputation/Image • Service/operations disruption • Business continuity • Project delay • Damage to life, property, environment • Management involvement
Major	50-75%	
Moderate	25-50%	
Minor	5-25%	
Insignificant	< 5%	

(v) Specific Risks Identified

(a) As at 30 September 2017, being the latest date for a risk assessment to be undertaken by the Group, the combined risk profile of individual operating companies is summarised below based on the application of the Risk Matrix: -

(b) At the Group level, the individual risks at the business divisions are re-assessed to determine the Group Corporate Risks. As at 30 September 2017, being the latest date for a risk assessment to be undertaken by the Group, the Group has identified three (3) high risk areas.

(c) Specific action plans have been identified and the timeline for the action plans to be implemented are documented in the Risk Registers by the risk owners.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Internal Audit Function

- The internal audit function is undertaken internally within the Group to provide independent internal audit services to the Company and its group of companies.

- The key role of the internal audit function is to assess the management's adherence to established policies and procedures as well as acting as an independent sounding board to the Audit and Risk Management Committee concerning areas of weaknesses or deficiencies in the risk management, governance and control processes for appropriate remedial measures to be carried out by the management.

- Further details on the functions of the internal audit can be found in the Audit and Risk Management Committee Report.

Other Key Elements of Internal Controls

- Other key elements of the system of internal control established by the Group, amongst others, are as follows: -

  (a) clearly defined delegation of responsibilities to the Board Committees and to management, including appropriate authorisation levels in the form of a written Limits of Authority to assist the Board in performing its oversight function;

  (b) a budgetary process whereby the Executive Committee ("EXCO") approves the operating and capital budgets of the key operating units and the Board approves the operating and capital budgets of the Group on a consolidated basis;

  (c) monitoring of results against budgets, with major variances and trends in key performance indicators being highlighted and management action taken, where necessary;

  (d) review of operational and financial performance by the operating unit's management at a monthly management meeting attended by the EXCO, heads of department and business units. At these meetings, relevant operational, financial and strategic issues are discussed and followed up by management;

  (e) briefing by the Executive Director to the Board on the operational performance of the Group on a quarterly basis;

  (f) briefing by the General Manager, Group Finance to the Audit and Risk Management Committee and to Board on the financial performance of the Group on a quarterly basis;

  (g) briefing by the head of Internal Audit on the internal audit findings to the Audit and Risk Management Committee on a quarterly basis;

  (h) the existence of a whistle-blowing policy and procedure to provide a channel for legitimate concerns to be raised by employees to the management, head of internal audit, the Senior Independent Non-Executive Chairman and/or to the Chairman of the Audit and Risk Management Committee;

Other Key Elements of Internal Controls (Cont'd)

- Other key elements of the system of internal control established by the Group, amongst others, are as follows (Cont'd): -

  (i) the provision of a dedicated email address to the Senior Independent Non-Executive Chairman at SID@taliworks.com.my and to the Chairman of the Audit and Risk Management Committee at ARMC@taliworks.com.my for shareholders and third parties to communicate with them on matters relating to the Group;

  (j) a Code of Business Conduct and Ethics for Directors which sets out the general principles and standards of business conduct and ethical behaviour for the Directors in the performance and exercise of their responsibilities as directors of the Company; and

  (k) a Code of Conduct contained in the Employment Handbook which governs the policies and guidelines relating to the standards and ethics that all employees of the Group are expected to adhere to in the course of discharging their duties and responsibilities.

Management's Assurance

In accordance with the requirements of the Guidelines, the Executive Director and the General Manager, Group Finance, representing the management, having reviewed the work performed by the Risk Management Working Group and the internal audit function, measures established by the Group as elaborated in this Statement and similar assurance given by the respective heads of operations, are of the view that the Group's risk management process and internal control systems are adequate and effective and accordingly give reasonable assurance to the Board that the Group's risk management and internal control systems are adequate and effective, in all material aspects.

Review by the External Auditors

As required by paragraph 15.23 of the Main Market Listing Requirements, the External Auditors have reviewed this Statement. Their review was performed in accordance with Recommended Practice Guide ("RPG") 5 issued by the Malaysian Institute of Accountants.

Based on their review, the External Auditors have reported to the Board that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the process the Board has adopted in the review of the adequacy and integrity of internal control of the Group.

RPG 5 does not require the External Auditors to and they did not consider whether this Statement covers all risks and controls, or to form an opinion on the effectiveness of the Group's risk and control procedures.

Authorisation for Issuance

The Board has reviewed and approved this Statement on Risk Management and Internal Control for inclusion in the Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

- Today's dynamic business environment and increased stakeholders' expectations reinforce the demands for accountability and transparency expected from the Board in discharging its fiduciary duties and in delivering long term value proposition to shareholders. As a direct consequence thereof, greater internalisation of enterprise-wide culture of good corporate governance, maintenance of a sound system of internal control, embedding risk management practices into the day-to-day operations, business sustainability issues as well as adherence to regulatory requirements are key challenges for the Board.

- The Board recognises the importance in applying the Principles and Practices stipulated in the latest edition of the Malaysian Code on Corporate Governance published by the Securities Commission of Malaysia in April 2017 and is committed in ensuring that good corporate governance is observed, practiced and improved upon throughout the Company and its subsidiaries ("Group") to safeguard the interest of shareholders and that of the other stakeholders such as the employees, customers, suppliers, society and the communities in which the Group conducts its businesses.

- Since the introduction of the first Malaysian Code on Corporate Governance in 2000, the Board has continuously made efforts and avail resources to strengthen the corporate governance framework and practices within the Group; to not only attract but also retain amongst others, long term investors and other valued stakeholders. The Board recognises that good ethical conduct and a high level of accountability are important ingredients to support sustainable development and growth of the Group's businesses. Needless to say, good corporate governance is a shared responsibility, with the various stakeholders having equal duty and responsibility to protect and advance their own interests by exercising the rights accorded to them to ensure that the Group is well governed and driven by the basic tenets of good governance.

- Pursuant to paragraph 15.25(1) of the Main Market Listing Requirements, the following Corporate Governance Overview Statement provides an overview in which the Group has applied the Principles encapsulated in the Malaysian Code on Corporate Governance.

- Furthermore, pursuant to paragraph 15.25(2) of the Main Market Listing Requirements, the Group has disclosed in a prescribed format the extent on how it has applied and complied with the Principles and Practices specified in the Malaysian Code on Corporate Governance for the financial year ended 31 December 2017 to achieve the Intended Outcome. The detailed application for each of the Practices is disclosed in the Corporate Governance Report ("CG Report") which is available on the Company's website at http://www.taliworks.com.my/corporate-governance/ under the caption "CG Report".

- Intended Outcomes are designed to provide a line of sight on what companies will achieve through implementing the Practices. On the other hand, Practices are actions, procedures, or processes which a company is expected to adopt to achieve the Intended Outcome.

- The Group is currently categorised as a Non-Large Company under the Malaysian Code on Corporate Governance. It has applied all the Practices except as follows: -

  (a) Practice 4.5 - Policies on gender diversity, its targets and measures to meet those targets;

  (b) Practice 6.1 - Remuneration Policy for Senior Management;

  (c) Practice 7.2 - Disclosure of the top five senior management personnel's remuneration on a named basis in bands of RM50,000; and

  (d) Practice 8.2 - Policy that requires a former key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the Audit and Risk Management Committee.

- For the Practices where the Group has not complied, explanation for the departures are provided and supplemented with a commentary on the alternative measures to achieve the Intended Outcome, and where appropriate, measures that the Group has taken or intends to take as well as the intended timeframe for adoption to achieve application of the prescribed Practice.

- Although the above four (4) Practices have not been applied as at the end of the financial year, the Group has subsequently implemented Practice 6.1 - Remuneration Policy for Senior Management and Practice 8.2 - Policy that requires a former key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the Audit and Risk Management Committee.

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS

1.0 Board Responsibilities

1.1 Clear Roles and Responsibilities

- The business and affairs of the Group is managed by or under the direction of the Board. The role of the Board is to collectively allocate resources and set the strategic direction of the Group, inculcate healthy corporate governance practices within the Group by aligning the governance practices to meet expectations of stakeholders while exercising oversight on the management.

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

1.0 Board Responsibilities (cont'd)

1.1 Clear Roles and Responsibilities (cont'd)

- The Board is entrusted to discharge its fiduciary duties and it has an overall responsibility for the corporate governance practices of the Group, including amongst others: -

  (a) reviewing and adopting a strategic plan for the Group that supports long term value creation jointly with the management, namely from the Executive Director and the Chief Investment Officer, on the strategic direction, corporate positioning and business propositions ("Strategies") to be undertaken by the Group including strategies on economic, environmental and social considerations underpinning sustainability. The Board will deliberate on these Strategies and the Executive Director and/or the Chief Investment Officer will provide updates at the Board meetings should there be any significant developments so that the Board is able to monitor the Strategies are being effectively implemented in accordance with the mandate by the Board;

  (b) overseeing the conduct of the Group's business. In this regard, the Board would meet every quarter together with the management, namely the Executive Director, Chief Investment Officer, the General Manager, Group Finance and the external Company Secretaries to discuss and deliberate on the several agendas put forth at the Board meetings. Two of the more important agenda would comprise the Executive Director's Quarterly Operational Report and the Quarterly Financial Interim Report detailing the operations of each of the business divisions and the financial performance of the Group;

  (c) identifying principal risks and ensuring the implementation of appropriate internal controls and mitigation measures. To undertake these dual responsibilities, the Board has delegated both the risk management and internal audit functions to the Audit and Risk Management Committee. A more detailed description of these functions can be found in the Statement of Risk Management and Internal Controls and in the Audit and Risk Management Committee's Report included in this Annual Report;

  (d) succession planning to provide for a clear and orderly succession and ensure that all candidates appointed are of sufficient calibre. To assist the Board in discharging these responsibilities, the Board has adopted the Succession Planning Policy for Board, Chairman of the Audit and Risk Management Committee and Senior Management as promulgated by the Group Human Resource;

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

1.0 Board Responsibilities (cont'd)

1.1 Clear Roles and Responsibilities (cont'd)

- The Board is entrusted to discharge its fiduciary duties and it has an overall responsibility for the corporate governance practices of the Group, including amongst others: -

  (e) overseeing the development and implementation of a shareholder communications policy for the Group to enable effective communication with the shareholders and other stakeholders. In this respect, the Group has established several channels (including a Company website) where shareholders and other stakeholders will be able to communicate with the Company and vice versa;

  (f) reviewing the adequacy and the integrity of the Group's management information and internal control systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines. In discharging these responsibilities, the Board has established an internal audit function to assess the adequacy and the integrity of the internal control systems. The Board has also at its disposal the services of the external Company Secretaries and the Group Legal Advisor.

- The roles played by the Board and the management are separate and distinct whereby the Board provides the stewardship role whereas the management is given the mandate and authority to implement the strategic directions of the Board. The Board fulfils its fiduciary role by overseeing that the management has undertaken its responsibilities in executing the policies and strategies adopted by the Board and the Board being adequately kept informed of matters relating to the Group's business and financial performance at the Board meetings which are held at every quarter of the year. Where there are important issues that require the Board's immediate attention e.g. proposals for major acquisitions, significant outlay of capital commitments, the Board may convene a special Board meeting.

- The Company has established a Limits of Authority ("LOA") that defines the authority given to Management to act on specific matters and any matters that require Board approval. The LOA was last reviewed on 28 March 2017.

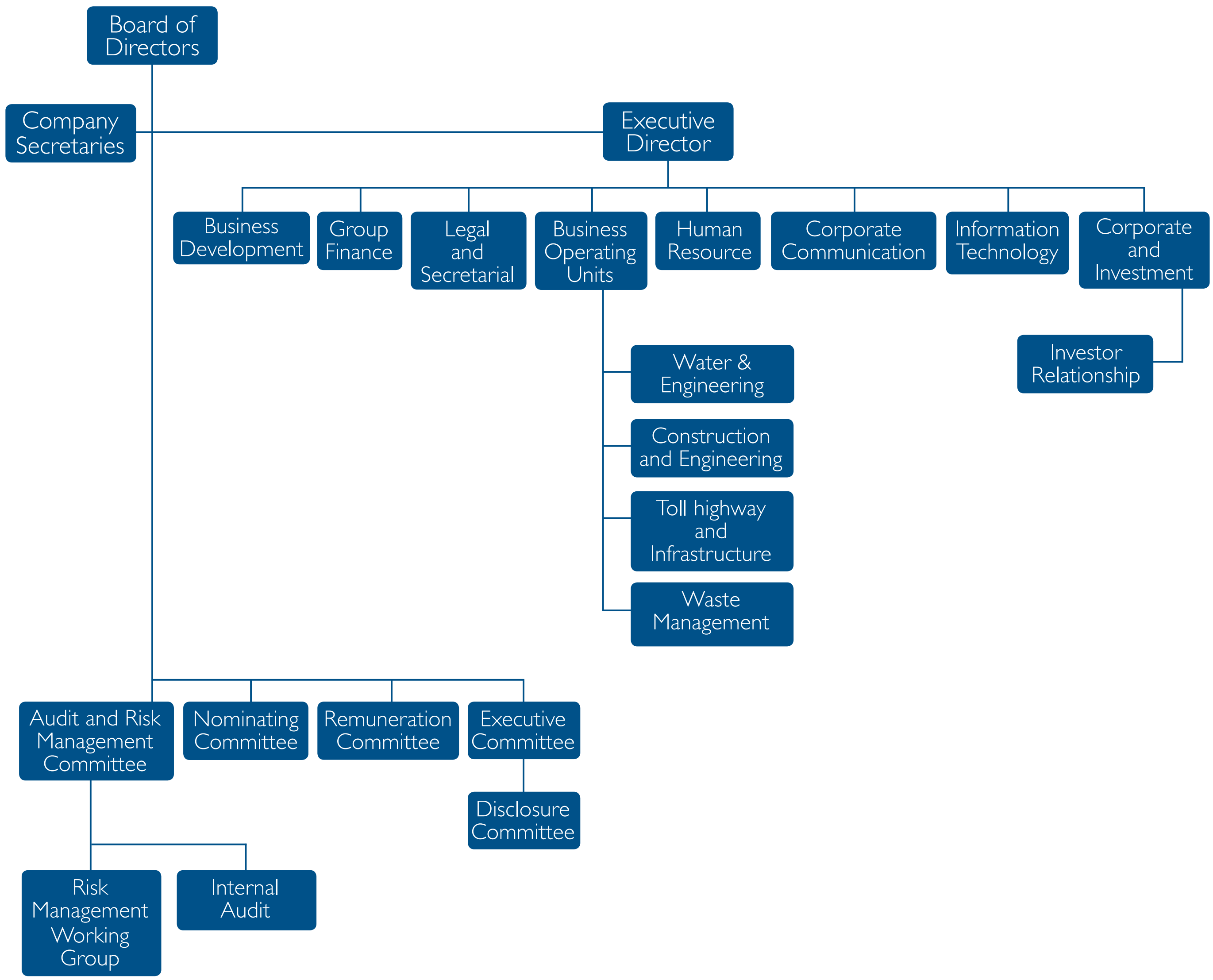
- To further assist the Board in its oversight role, the Board, through the Remuneration Committee, has established the Key Performance Indicators ("KPI") for the Chief Executive Officer ("CEO") (if and when the CEO is appointed) and/or the Executive Director that are linked to the Company's business strategies and long term corporate objectives. Although this was not completed as at the end of the year, it was implemented in February 2018.

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

1.0 Board Responsibilities (cont'd)

1.2 Governance Structure

- The current governance structure of the Group is as follows: -



PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

1.0 Board Responsibilities (cont'd)

1.3 Executive Committee ("EXCO")

- To assist the Executive Director in executing the mandates from the Board, an EXCO has been established to speed up the decision-making process in issues which are routine and administrative in nature.

- Members of the EXCO together with other senior management and divisional heads meet monthly to review the operational issues of the Group, financial performance, business prospects and other matters requiring their attention. Collectively, they are responsible to oversee the day-to-day management of the Group's affairs.

1.4 Board Composition

- At the end of the financial year, the Board, led by Tan Sri Dato' Seri Ong Ka Ting, a Senior Independent Non-Executive Chairman, is made up of eight (8) members (including the Chairman) comprising:

  (a) one (1) Executive Director;

  (b) two (2) Non-Independent Non-Executive Directors; and

  (c) five (5) Independent Non-Executive Directors.

- As stated in the Board Charter, the Board shall consist of qualified individuals with diverse experience, background and perspective. The composition and size of the Board is such that it facilitates the making of informed and critical decisions. At any one time, at least two (2) or one-third (1/3), whichever is higher, of the Board members shall be Independent Directors. Where the Chairman of the Board is not an independent Director, the majority of Board members shall be Independent Directors.

- The Board views that it has the right balance of skills and experience appropriate for the requirements of the business, that no individual dominated the decision-making process and that the Board has operated effectively throughout the year and is confident that it will continue to do so.

- The Board, through the Nominating Committee, having reviewed the size and complexity of the Group's operations, is of the view that the number of members in the Board is appropriate. Nevertheless, the Board is receptive to revamp the composition of members to ensure that the Board can function more effectively.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

1.0 Board Responsibilities (cont'd)

1.5 Board to comprise a Majority of Independent Directors

- As stated in the Board Charter, where the Chairman of the Board is not an independent Director, the majority of Board members shall be Independent Directors.

- The current Chairman of the Company, Tan Sri Dato' Seri Ong Ka Ting, is a Senior Independent Non-Executive Chairman whilst more than half of the composition of Board members comprises of Independent Directors.

1.6 Role of the Chairman

- The role of the Chairman is clearly spelt out in Practice 1.2 of the CG Report.

1.7 Role of the Executive Director

- The Executive Director, who is a paid employee of the Company, is tasked to develop, in conjunction with the Board, the Group's strategic plans and is responsible for its implementation. Other than that, the Executive Director is responsible to carry out all the directions of the Board and ensuring that they are implemented and that adequate actions have been taken to follow up on significant outstanding matters on a timely basis.

- In connection therewith, the Executive Director keeps the Board informed of the overall operations and major issues faced by the Group, together with bringing forward to the Board, significant matters for its consideration and approval, where required.

- The Executive Director is accountable to the Board.

1.8 Role of the Non-Independent Non-Executive Directors

- The Non-Independent Non-Executive Directors do not actively participate in the day-to-day management of the Group. However, they contribute in areas such as policy and strategy, performance monitoring, as well as improving governance and controls. They are expected to provide constructive input and where required, provide the requisite guidance to the Executive Director when faced with the challenges in running the day-to-day affairs of the Group.

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

1.0 Board Responsibilities (cont'd)

1.9 Role of the Independent Non-Executive Directors

- The Independent Non-Executive Directors play a significant role as check and balance in the functioning of the Board. They have declared themselves to be independent from management and free of any business or other relationship which could interfere with the exercise of their independent judgment and objective participation and decision-making process of the Board.

- Independent Non-Executive Directors are required to voice their reservations or objections to any Board decisions which are deemed detrimental to the interest of the minority shareholders and their reservation or objections are then duly recorded by the Company Secretary in the Board minutes.

- Members of the Board come from varied background and each brings with them a wide range of business and financial acumen, competence, knowledge and experience relevant and necessary for the effective stewardship of the Group.

1.10 Independent Directors

- Independent Directors bring independent and objective judgment to the Board and this mitigates risks arising from conflict of interest or undue influence from interested parties. Nevertheless, the existence of Independent Directors on the Board by itself does not ensure the exercise of independent and objective judgment as independent judgment can be compromised by, amongst others, familiarity or close relationship with other board members or major shareholders.

- The Nominating Committee undertakes an assessment of the Independent Directors annually. In assessing the independence of Independent Directors, the Nominating Committee had concluded that all the Independent Directors have met the independence requirements and they are able to continue to bring independent and objective judgment to Board deliberations.

- Other than fully complying with the definition of an "independent director" set out in the criteria listed in Section 1.1 (a) to (g) of Practice Note 13 - Requirements for Directors and Signatory of Statutory Declaration for Accounts by the stock exchange, the Independent Directors have themselves assessed on 15 other criteria in the Independent Directors' Self-Assessment Checklist submitted to the Nominating Committee annually including application of subjective assessments pursuant to the definition of independent directors in the Main Market Listing Requirements.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

1.0 Board Responsibilities (cont'd)

1.11 Tenure of Independent Directors

- The tenure of Independent Directors of the Company is as follows: -

As at 31 December 2017	>1-3 years	>3-5 years
Independent Non-Executive Directors	2	3

- Under the Malaysian Code on Corporate Governance, the tenure of an independent director should not exceed a cumulative term of nine years. Upon completion of the nine years, an independent director may continue to serve on the board subject to the director's re-designation as a non-independent director.

- Currently, the Board does not have a policy in place on the tenure for Independent Directors in the Board Charter as the Board is of the view that a cumulative term of more than nine years may not necessary impair independence and judgment of an Independent Director and therefore the Board does not deem it appropriate to impose a fixed term limit for Independent Directors in the Board Charter at this juncture.

- Nevertheless, in the event where any Independent Director has served the Board for a cumulative term of nine years, the Nominating Committee, will assess and decide whether he/she can remain as an Independent Director. In such a situation, the Board will make a recommendation and provide strong justification to the shareholders in a general meeting to provide the shareholders with sufficient insight to enable them to assess the merits of the Board's decision to retain the services of the Independent Director beyond the nine-year tenure.

- In the event where an Independent Director has served the Board for a cumulative term of twelve years, the Nominating Committee, will assess and decide whether he/she can remain as an Independent Director. In such a situation, the Board will make a recommendation and provide strong justification to the shareholders in a general meeting to provide the shareholders with sufficient insight to enable them to assess the merits of the Board's decision to retain the services of the Independent Director beyond the twelve-year tenure. Under these circumstances, the Board will seek shareholders' approval under a two-tier voting process.

- Where the Board has determined that the said Independent Director shall not remain as an Independent Director, then he/she will be re-designated as a Non-Independent Director accordingly.

- As at the end of the financial year, none of the Independent Non-Executive Directors have served on the Board for more than nine years.

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

1.0 Board Responsibilities (cont'd)

1.12 Appointments to the Board

- The Nominating Committee is responsible for reviewing the Board's composition and recommending to the Board the appointment of new directors by evaluating and assessing the suitability of candidates for board membership.

1.13 Re-Election of Directors

- Pursuant to Article 80 of the Company's Constitution, one-third (1/3) of the Directors including the Managing Director (if any) for the time being, or if their number is not three or a multiple of three, then the number nearest to one-third shall retire by rotation at each Annual General Meeting and be eligible for re-election provided always that all Directors shall retire from office once at least in each three (3) years, but shall be eligible for re-election.

- Based on the schedule of retirement by rotation, the Nominating Committee is responsible for recommending to the Board those Directors who are eligible to stand for re-election. The Board, except for the retiring Directors, approved the recommendation of the Nominating Committee that the Directors who are due to retire by rotation at the forthcoming 27th Annual General Meeting i.e. Mr. Soong Chee Keong, Mr. Lim Chin Sean and Dato' Sri Amrin Bin Awaluddin, be put forth for shareholders' approval at the forthcoming Annual General Meeting for re-election.

- Any person appointed by the Board either to fill a casual vacancy or as an addition to the existing Directors, shall hold office until the conclusion of the next Annual General Meeting and shall then be eligible for re-election.

1.14 Board Diversity, Age Profile and Skill-set

- The Board does not have a policy on board composition having regard to the mix of skills, independence and diversity (including gender diversity) required to meet the needs of the Group. However, the Board Charter specifies that, as a matter of policy, the Board shall consist of qualified individuals with diverse experience, background and perspective and the Board has taken into consideration the varied mix of board diversity, skill-set and qualification of candidates chosen to be members of the Board.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

1.0 Board Responsibilities (cont'd)

1.14 Board Diversity, Age Profile and Skill-set

	Gender		Age Profile			Skill-set		
	Male	Female	30-40 years	41-50 years	51-69 years	Finance related	Engineering related	Others
Executive Director	1	-	-	-	1	-	1	-
Independent Non-Executive Directors	4	1	-	1	4	3	1	1
Non-Independent Non-Executive Directors	2	-	1	-	1	1	-	1
Total				**8**				

1.15 Time Commitment

- Under the Board Charter: -

  (a) the directorships in other public listed companies in Malaysia held by any Board member at any one time shall not exceed the number as may be prescribed by the Main Market Listing Requirements. In this respect, based on the disclosure in the Directors' Profile, none of the Company's Board members hold more than five (5) directorships in listed issuers in compliance with paragraph 15.06(1) of the Main Market Listing Requirements.

  (b) the Directors should devote sufficient time to the Company and observe the following policies and procedures: -

    (i) to disclose to the Board, through the Nominating Committee, at the time of his/her appointment, and in a timely manner for any change, the number and nature of office held in public companies or organisations and any other significant commitments;

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

1.0 Board Responsibilities (cont'd)

1.15 Time Commitment

- Under the Board Charter (cont'd): -

  (ii) to notify the Chairman and the Board before accepting any new directorships and provide an indication of time that will be spent in the new appointment which should include the time required to prepare and attend board and board committee meetings, general meetings, continuous training programmes, site visitation and major company events. At the beginning of each calendar year, a schedule for Board and Board Committee meetings will be prepared and distributed to all Board Members for their reference. Each Board Member should allocate sufficient time for these meetings and attend all the scheduled meetings. If a Board Member is unable to attend any of the scheduled meetings, he/she should notify the Board, through the Company Secretary, as early as practicable;

  (iii) to ensure that sufficient time and attention is allocated to the Company and that other commitments do not affect the effectiveness of their contribution or the time available in the discharge of their duties and responsibilities; and

  (iv) to take an interest in the affairs of the Group, obtain a general understanding of its businesses and to follow up on all the unusual transactions that comes to his/her attention.

- The dates for the Board and Board Committee meetings for the year will be circulated by the Company Secretaries well in advance at the end of the previous year to ensure that each of the Directors is able to attend the planned Board and/or Board Committee meetings including that of the Annual General Meeting.

- The Board and Board Committee members are expected to attend these meetings which have been scheduled well in advance. In the situation where any of them will not be available, they will inform the Company Secretaries who accordingly will endeavour to re-schedule to another date where all other members would be able to attend.

- Directors who are unable to attend meetings in person may join the meeting by teleconferencing or by other means of telecommunication devices or modes.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

1.0 Board Responsibilities (cont'd)

1.16 Access to Trainings

- Due to the ever-increasing complexities in doing business, Directors are expected to upgrade their skill sets and keep themselves abreast with the developments in the business environment as well as with any new relevant regulatory and statutory requirements to maximise their effectiveness as members of the Board.
- This is achieved amongst others, through attending trainings externally or those provided in-house, reading relevant publications and adhering to continuing professional education required by the respective professional bodies. Training programmes, courses, seminars, conferences, talks, briefings attended by the Directors during the year were as follows: -

Tan Sri Dato' Seri Ong Ka Ting	• Companies Act 2016 and Regulations – An overview of changes and comparison of directors' duties and responsibilities with Companies Act 2016 • Economic Forum in Conjunction with the Annual Joint Meeting of Malaysia-China Business Council and China Council for the Promotion of International Trade • Release of the Malaysian Code on Corporate Governance by Securities Commission Malaysia • The Belt and Road Forum for International Cooperation • The International Senior Economic Consultative Conference of the People's Government of Shaanxi Province • Digital Free Trade Zone Goes Live Ceremony (Keynote Speech & Lecture delivered by Malaysian Prime Minister and Alibaba Chairman Mr. Jack Ma) • 2017 Huawei Asia-Pacific Innovation Day with its Theme: Fostering Digital Economy Exploring Digital Transformation (Keynote Speeches by Malaysian Deputy Prime Minister, Rotating CEO of Huawei) • Tax briefing on Budget 2018 to cover a macro overview of budget 2018 issues and current tax developments impacting organisations
Dato' Lim Yew Boon	• Companies Act 2016 and Regulations – An overview of changes and comparison of directors' duties and responsibilities with Companies Act 2016 • Bursa Workshop – Fraud Risk Management Workshop • GCC Materiality Workshop • Personal Mastery with Neuro Linguistic Programming Training for Senior Management • Advocacy Session to Enhance Quality of Management Discussion & Analysis • Tax briefing on Budget 2018 to cover a macro overview of budget 2018 issues and current tax developments impacting organisations

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

1.0 Board Responsibilities (cont'd)

1.16 Access to Trainings (cont'd)

Mr. Lim Chin Sean	• Companies Act 2016 and Regulations – An overview of changes and comparison of directors' duties and responsibilities with Companies Act 2016 • Tax briefing on Budget 2018 to cover a macro overview of budget 2018 issues and current tax developments impacting organisations
Mr. Soong Chee Keong	• Companies Act 2016 and Regulations – An overview of changes and comparison of directors' duties and responsibilities with Companies Act 2016 • Comparison of Directors Duties and Responsibilities with Companies Act 2016 • Sustainability Engagement Series for Directors/Chief Executive Officer • Fraud Risk Management Workshop • Independent Directors Programme – The Essence of Independence • Tax briefing on Budget 2018 to cover a macro overview of budget 2018 issues and current tax developments impacting organisations
Mr. Vijay Vijendra Sethu	• Advocacy Session on Corporate Disclosure for Directors and Principal Officers of Listed Issuers • Fraud Risk Management Workshop • Integrating an Innovation Mindset with Effective Governance
Dato' Sri Amrin Bin Awaluddin	• CIMB Holdings Berhad Annual Summit • CIMB Bank Berhad Risk Management Committee • Media Prima Berhad Board Directors Training • Sime Darby Property Berhad Trail Blazers Management • Media Prima Berhad Annual Leadership Conference and Training
Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin	• Companies Act 2016 and Regulations – An overview of changes and comparison of directors' duties and responsibilities with Companies Act 2016 • The Companies Act 2016 – Challenges for Directors and Officers • Enterprise Risk Management – Risk Awareness Session • Women participation on Boards and Invitation to the 30% Club Business Leaders Roundtable Meeting • Tax briefing on Budget 2018 to cover a macro overview of budget 2018 issues and current tax developments impacting organisations
Encik Ahmad Jauhari Bin Yahya	• Companies Act 2016 and Regulations – An overview of changes and comparison of directors' duties and responsibilities with Companies Act 2016 • Sapura Resources Berhad and Sapura Industrial Berhad Senior Leadership Talk • The new Companies Act 2016 seminar "Raising the Bar for Directors"

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

1.0 Board Responsibilities (cont'd)

1.16 Access to Trainings (cont'd)

- Directors are also kept informed of the latest regulatory developments by the Company Secretaries at every Board meetings.
- The Company does not have a formal arrangement to provide any in-house orientation or education programmes for new appointees to the Board. Members of the Board are encouraged to participate in relevant training programmes on their own at the Company's expense to keep themselves updated on developments that are current and relevant.
- During the year, the Company has organised several in-house talks by external parties for the benefit of the Directors.
- Training requirements/needs for Directors were discussed by the Nominating Committee and reported to the Board.

1.17 Access to Information and Services from the Company Secretary and External Parties

- The Directors also have access to the advice and services of the Company Secretaries and where necessary, in furtherance of their duties, are entitled to seek independent professional advice at the Company's expense. The following are the procedures adopted by the Board in engaging the services of independent professional advisors: -

  (a) where any member of the Board makes a request to the management to engage the services of independent professional advisors, the request is then communicated by the Company Secretaries to other Board members for concurrence;

  (b) where necessary, the Chairman will convene a special Board meeting to discuss the matter and where a concurrence from a majority of the Directors is obtained, the management will be directed to procure suitable independent professional advisors acceptable to the Board; and

  (c) the independent professional advisors will report their findings to the Board.

2.0 Board Committees

- The Board has reserved for itself, decisions in respect of matters significant to the Group's business operations, that include the approval of key corporate plans, annual operating and capital expenditure budgets, major business transactions involving either the acquisitions or disposals of business, interests and/or assets, consideration of significant financial matters and announcements of financial results, changes to the composition of the Board and the Board Committees as well as control structure within the Group.

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

2.0 Board Committees (cont'd)

- To assist the Board to effectively discharge its role and functions, the Board has delegated certain of its duties and responsibilities to the various Board Committees namely: -

  (a) Audit and Risk Management Committee;

  (b) Nominating Committee; and

  (c) Remuneration Committee

- The primary objectives of establishing the Board Committees are amongst others, to allow Board members to make better use of their limited time and resources, allow more focus to be given to complex issues and recommending any course of action and reinforcing the role of Independent Directors in monitoring the activities of the Group.

- Each of the Board Committees operates under its own Terms of Reference as approved by the Board. At every Board meetings, the Board Committee Chairman shall report to the Board, any significant developments and deliberations conducted at the Board Committee level.

- The delegation by the Board does not diminish nor abdicate its responsibilities and the Board remains responsible for all the actions of the Board Committees with regards to the execution of the delegated responsibilities. To ensure proper delegation, the Board formulates, establishes and approves the appropriate terms of reference; defining the responsibilities and authority of the said Board Committees.

2.1 Composition of Key Board Committees

- The composition of the key Board Committees as at the end of the financial year was as follows: -

	Audit & Risk Management Committee	Nominating Committee	Remuneration Committee
<u>Independent Non-Executive Directors</u>			
Tan Sri Dato' Seri Ong Ka Ting *(Note 1)*	-	C	C
Mr. Soong Chee Keong	C	-	M
Dato' Sri Amrin Bin Awaluddin	M	-	-
Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin *(Note 2)*	-	-	M
Encik Ahmad Jauhari Bin Yahya	-	M	-

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

2.0 Board Committees (cont'd)

2.1 Composition of Key Board Committees (cont'd)

- The composition of the key Board Committees as at the end of the financial year was as follows (cont'd): -

	Audit & Risk Management Committee	Nominating Committee	Remuneration Committee
Non-Independent Non-Executive Directors			
Mr. Lim Chin Sean *(Note 3)*	M	-	-
Mr. Vijay Vijendra Sethu	-	M	-

Definition: -
C – Chairman of Board Committee
M – Member of Board Committee

Note: -
1. *Subsequently resigned as Chairman of the Remuneration Committee on 13 February 2018*
2. *Re-designated as Chairman of the Remuneration Committee on 13 February 2018*
3. *Appointed as a member of the Remuneration Committee on 13 February 2018*

2.2 Functions, Duties and Responsibilities of the Board Committees

(a) Audit and Risk Management Committee

- The terms of reference, function and activities undertaken by the Audit and Risk Management Committee is elaborated in the Audit and Risk Management Committee's Report set out in this Annual Report.

- The terms of reference Audit and Risk Management Committee is available on the Company's website at http://www.taliworks.com.my/corporate-governance/ under the caption "Terms of Reference of the Audit and Risk Management Committee".

- The Terms of Reference were last revised on 13 February 2018.

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

2.0 Board Committees (cont'd)

2.2 Functions, Duties and Responsibilities of the Board Committees (cont'd)

(b) Nominating Committee

- The terms of reference of the Nominating Committee is available on the Company's website at http://www.taliworks.com.my/corporate-governance/ under the caption "Terms of Reference of the Nominating Committee". The Terms of Reference were last revised on 13 February 2018.

- The functions and activities undertaken by the Nominating Committee are elaborated in Practice 4.6 and 5.1 of the CG Report.

(c) Remuneration Committee

- The terms of reference of the Remuneration Committee is available on the Company's website at http://www.taliworks.com.my/corporate-governance/ under the caption "Terms of Reference of the Remuneration Committee". The Terms of Reference were last revised on 13 February 2018.

- The functions and activities undertaken by the Remuneration Committee are in Section 3.2 below.

2.3 Record of Attendance at Board and Board Committee Meetings

- The following is the record of attendance of each of the Directors of the Company at the Board and Board Committees during the year: -

	Board	Audit & Risk Management Committee	Nominating Committee	Remuneration Committee
Dates of meetings held during the year	16 Feb 28 Mar 22 May 16 Aug 2 Oct 28 Nov	16 Feb 28 Mar 22 May 16 Aug 28 Nov	18 Jan	18 Jan
Total meetings held during the year	6	5	1	1

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

2.0 Board Committees (cont'd)

2.3 Record of Attendance at Board and Board Committee Meetings (cont'd)

- The following is the record of attendance of each of the Directors of the Company at the Board and Board Committees during the year: -

	Board	Audit & Risk Management Committee	Nominating Committee	Remuneration Committee
Number of meetings attended by: -				
Executive Director				
Dato' Lim Yew Boon	6	-	-	-
Independent Non-Executive Directors				
Tan Sri Dato' Seri Ong Ka Ting	6	-	1	1
Mr. Soong Chee Keong	6	5	-	1
Dato' Sri Amrin Bin Awaluddin	5	5	-	-
Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin	4	-	-	1
Encik Ahmad Jauhari Bin Yahya	6	-	1	-
Non-Independent Non-Executive Directors				
Mr. Lim Chin Sean	6	5	-	-
Mr. Vijay Vijendra Sethu	6	-	1	-

- Under paragraph 15.05(3)(c) of the Main Market Listing Requirements, the office of a director will become vacant if the director is absent from more than 50% of the total board of directors' meetings held during a financial year. In this respect, all the Board members have devoted sufficient time to attend more than 50% of the total Board meetings held for the year.

3.0 Remuneration

3.1 Remuneration Committee

- The Remuneration Committee, comprise of Non-Executive Directors, is headed by the Senior Independent Non-Executive Chairman, Tan Sri Dato' Seri Ong Ka Ting.

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

3.0 Remuneration (cont'd)

3.2 Meeting Proceedings

- Directors do not participate in decisions regarding their own remuneration package. Directors' fees for the previous financial year are to be approved by shareholders at the Annual General Meeting before any payment of fees are made to the Directors. Directors who are shareholders will abstain from voting at general meetings to approve their fees.

- The Remuneration Committee met once during the year in review, i.e. on 18 January 2017 and the following matters were considered and deliberated: -

  (a) to recommend the remuneration packages for the Company's Executive Director for 2017 to the Board for approval;

  (b) to recommend the Directors' Fees for 2016 to the Board for recommendation of the same to the shareholders for approval at the Annual General Meeting; and

  (c) to recommend the budget for meeting allowance for the Company's Non-Executive Directors for 2017 to the Board for approval. This was based on the number of scheduled Board and Board Committee meetings for next year.

3.3 Directors' Remuneration

- Directors' remuneration is generally benchmarked against the market average of comparable companies to attract talent and retain the Directors to run the Company.

- The remuneration of the Executive Director is based on the terms of his employment contract and his remuneration package is not structured to link rewards to corporate and individual performance. Other than his employment income, he is also remunerated in the form of Directors' fees as approved by shareholders at the Annual General Meeting and an allowance for his attendance at the Board meetings.

- Currently, the remuneration of the Executive Director is not aligned with the business strategy and long-term corporate objectives of the Company. The Remuneration Committee is considering establishing a remuneration policy and Key Performance Indicators for the CEO, (the position of which is currently vacant) and/or the Executive Director. This was established in February 2018.

- Non-Executive Directors are remunerated in the form of Directors' fees as approved by shareholders at the Annual General Meeting and an allowance for their attendance at the Board and other Board Committees' meetings. The remuneration for the chairman of the Board and the Audit and Risk Management Committee is comparatively higher than the other Non-Executive Directors in view of their greater responsibility and accountability. In the same light, the chairman of the other Board Committees is also accorded higher meeting allowance.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

3.0 Remuneration (cont'd)

3.3 Directors' Remuneration (cont'd)

- The Directors' fees (which are not performance related) and meeting allowances for the year are as follows: -

Directors' Fees	RM per Annum
Chairman	200,000
Chairman of the Audit and Risk Management Committee	160,000
Executive Director	120,000
Independent Non-Executive Directors	120,000
Non-Independent Non-Executive Directors	120,000

Meeting allowances (RM per Meeting)				
	Board	Audit & Risk Management Committee	Nominating Committee	Remuneration Committee
Chairman	1,600	1,600	1,600	1,600
Members	1,000	1,000	1,000	1,000

- The above Directors' fees and meeting allowances were effective since 1 January 2016.

- The details of Directors' remuneration for the financial year including remuneration for services rendered to the Company and its subsidiaries are as follows: -

		Fees (RM)	Salaries, bonus and defined contribution (RM)	Other emoluments (RM)	Total for 2017 (RM)	Total for 2016 (RM)
Tan Sri Dato' Seri Ong Ka Ting	• Senior Independent Non-Executive Chairman • Chairman of the Nominating Committee • Chairman of the Remuneration Committee	200,000	-	12,800	212,800	212,800

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

3.0 Remuneration (cont'd)

3.3 Directors' Remuneration (cont'd)

- The details of Directors' remuneration for the financial year including remuneration for services rendered to the Company and its subsidiaries are as follows: -

		Fees (RM)	Salaries, bonus and defined contribution (RM)	Other emoluments (RM)	Total for 2017 (RM)	Total for 2016 (RM)
Mr. Soong Chee Keong	• Independent Non-Executive Director • Chairman of Audit and Risk Management Committee • Member of Remuneration Committee	160,000	-	15,000	175,000	176,600
Dato' Lim Yew Boon	• Executive Director	144,000 *(Note 1)*	379,388	30,742	554,130	543,603
Mr. Lim Chin Sean	• Non-Independent Non-Executive Director • Member of Audit and Risk Management Committee	120,000	-	11,000	131,000	134,494
Mr. Vijay Vijendra Sethu	• Non-Independent Non-Executive Director • Member of Nominating Committee	120,000	-	7,000	127,000	127,000

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

3.0 Remuneration (cont'd)

3.3 Directors' Remuneration (cont'd)

- The details of Directors' remuneration for the financial year including remuneration for services rendered to the Company and its subsidiaries are as follows: -

		Fees (RM)	Salaries, bonus and defined contribution (RM)	Other emoluments (RM)	Total for 2017 (RM)	Total for 2016 (RM)
Dato' Sri Amrin Bin Awaluddin	• Independent Non-Executive Director • Member of Audit and Risk Management Committee	120,000	-	10,000	130,000	132,000
Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin	• Independent Non-Executive Director • Member of Remuneration Committee	120,000	-	5,000	125,000	127,000
Encik Ahmad Jauhari Bin Yahya	• Independent Non-Executive Director • Member of Nominating Committee	120,000	-	7,000	127,000	125,000
TOTAL		1,104,000	379,388	98,542	1,581,930	1,580,497

Note: -

1– include directors' fees received from the Company of RM120,000 and RM24,000 from an indirect subsidiary, Grand Saga Sdn Bhd, in which he is a director.

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

3.0 Remuneration (cont'd)

3.4 Remuneration of Senior Management

- There are eight (8) senior management personnel disclosed in the Company's website at http://www.taliworks.com.my/corporate-information under the caption "Key Senior Management".

- Senior management staff are those primarily responsible for managing the business operations and corporate divisions of the Group.

- The remuneration paid to the top five senior management including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000 is as follows: -

Range of Remuneration	Total
RM350,001 to RM400,000	2
RM400,001 to RM450,000	1
RM550,001 – 600,000	2

PRINCIPLE B - EFFECTIVE AUDIT AND RISK MANAGEMENT

4.0 Audit and Risk Management Committee

- The Audit and Risk Management Committee of the Company comprises of three (3) members, two of them are members of recognised accounting bodies.

- The Audit and Risk Management Committee is headed by Mr. Soong Chee Keong, who is an Independent Non-Executive Director. The duties, functions and responsibilities of the Audit and Risk Management Committee is clearly spelt out in their Terms of Reference.

- The performance of the Audit and Risk Management Committee and each of its members are assessed annually by the Nominating Committee, none of whom are members of the Audit and Risk Management Committee. The Nominating Committee also assesses on an annual basis the effectiveness of the Audit and Risk Management Committee in carrying out its responsibilities.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE B - EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

5.0 Risk Management and Internal Control Framework

- The Board acknowledges its responsibility in maintaining a robust risk management framework and a sound system of internal controls.
- The Statement on Risk Management and Internal Controls included in this Annual Report provides a detailed description of the state of risk management and internal controls as implemented by the Group.

PRINCIPLE C - INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

6.0 Communication with Stakeholders

6.1 Corporate Disclosure Policies and Procedures

- Along with good corporate governance practices, the Group is committed to provide to investors and the public with comprehensive, accurate and material information on a timely basis. In line with this commitment and to enhance transparency and accountability, the Board has approved the adoption of the Corporate Disclosure Policies and Procedures on 20 November 2013 that sets out the general principles and standards of disclosure of information in relation to the business, operations and financial performance of the Group.
- The Corporate Disclosure Policies and Procedures were last revised on 28 March 2017 and a copy of the document is published in the Company's website at http://www.taliworks.com.my/corporate-governance/ under the caption "Corporate Disclosure Policies and Procedures".
- The Group has established a Disclosure Committee to administer, implement and interpret the Company's Corporate Disclosure Policies and Procedures. The members of the Disclosure Committee comprise the following: -

  (a) the chief executive officer of the Company;

  (b) the chief financial officer of the Company;

  (c) the chief regulatory officer of the Company;

  (d) the chief investment officer of the Company; and

  (e) such any other directors and officers of the Company as may be determined by the EXCO.

PRINCIPLE C - INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (CONT'D)

6.0 Communication with Stakeholders (cont'd)

6.2 Maintenance of Company Website

- The Group leverages on the use of information technology for effective dissemination of information by maintaining a website at http://www.taliworks.com.my which shareholders or other stakeholders can access for information. All information released to the stock exchange is posted on the Investor Relations section of the website.

- Alternatively, the Group's latest announcements can be obtained via the stock exchange's website maintained at http://announcements.bursamalaysia.com.

- Included in the Company's website are matters relating to: -

  (a) corporate information and profile of the Group business activities;

  (b) financial information, stock information, annual report, quarterly reports, company announcements;

  (c) corporate governance including the Board Charter, Code of Business Conduct and Ethics for Directors, Terms of Reference of Board Committees, minutes of shareholders' meetings.

6.3 Integrity in Financial Reporting

- The Board aims to present a balanced and meaningful assessment of the Group's financial performance and prospects to shareholders, investors and regulators. This assessment is primarily provided in the Annual Report through the Chairman's Statement, the Management Discussion & Analysis and the accompanying audited financial statements. The Group also announces its interim financial results on a quarterly basis in compliance with the Main Market Listing Requirements. The interim financial results are reviewed by the Audit and Risk Management Committee and approved by the Board prior to public release.

- For the year in review, the Group had announced its interim results and published its audited financial statements within the two (2) and four (4) months' timeframe respectively as required under the Main Market Listing Requirements.

- In releasing the unaudited full year's results, the Audit and Risk Management Committee will meet with External Auditors who summarises all the principal matters that have arisen from the audit that may have a material impact to the Group results. The Audit and Risk Management Committee also engages the External Auditors on financial disclosures and the accounting judgments made in preparing the financial statements.

PRINCIPLE C - INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (CONT'D)

6.0 Communication with Stakeholders (cont'd)

6.3 Integrity in Financial Reporting (cont'd)

- The Directors of the Company are responsible for the preparation of the financial statements to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 of Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

- The Directors have considered in preparing the latest set of financial statements, that the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates.

7.0 Conduct of General Meetings

7.1 Annual General Meeting ("AGM")

- The AGM which is held once a year is the principal forum for dialogue with shareholders. The Annual Report together with the Notice of AGM is sent to registered shareholders within the prescribed period as allowed under the Company's Constitution and the Main Market Listing Requirements, as the case maybe. Where special business items appear in the Notice of AGM, an explanatory note will be included as a footnote to enlighten shareholders on the significance and impact when shareholders deliberate on a resolution.

- At the AGM, shareholders are encouraged to participate, speak, vote and to demand a poll vote. Shareholders are given the opportunity to seek clarification on any matters pertaining to the business activities and financial performance of the Group. Shareholders are also encouraged to make their views known to the Board and to raise directly any matters of concern to the Chairman of the Company or to the chairman of the Board Committees. Management personnel are also present to answer questions raised at these meetings.

- The External Auditors of the Company also attend the AGM and are available to answer questions about the conduct of the audit and the preparation and content of the Auditor's Report.

- Where a transaction is required to be approved by shareholders, interested Directors will abstain from deliberation and voting in respect of their shareholdings in the Company and they will further undertake to ensure that persons connected to them will similarly abstain from voting.

PRINCIPLE C - INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (CONT'D)

7.0 Conduct of General Meetings (cont'd)

7.1 Annual General Meeting ("AGM") (cont'd)

- The summary of the key matters discussed at the AGM including a summary of the discussions or explanations on the matters set out in the agenda, substantial or pertinent comments or queries from shareholders relating to the agenda and responses from the board and management will be posted within three months from the date of the AGM at the Company's website at http://www.taliworks.com.my/corporate-governance/ under the caption "Minutes of Shareholders' Meeting".

7.2 Poll Voting

- Before the Chairman of the AGM proceeds with the first item on the AGM agenda, he will inform shareholders of their right to demand a poll vote (before or upon the declaration of results on the show of hands):

  (a) by the Chairman; or

  (b) by at least three (3) members present in person or by proxy or by attorney or a representative; or

  (c) by any member or members present in person or by proxy or by attorney or a representative and representing not less than one-tenth (1/10) of the total voting rights of all members having the right to vote at the meeting; or

  (d) by a member or members holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth (1/10) of the total sum paid up on all the shares conferring that right.

- For substantive resolutions, the Chairman of the AGM will demand to vote by poll and request for an announcement of the detailed results showing the number of votes cast for and against each resolution.

- The polling process will be conducted by an external party as the Poll Administrator and an Independent Scrutineer will also be engaged to oversee the conduct of the poll and verify the results of the poll. Before shareholders proceed to conduct the poll voting, the Poll Administrator will brief the shareholders on the poll procedures.

- In compliance with the Main Market Listing Requirements, the Company has amended its Constitution to incorporate the provision for electronic poll voting.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

KEY FOCUS AREAS AND PRIORITIES

With respect to the key focus areas during the financial year, the Group has undertaken a gap analysis to identify the new corporate governance practices under the revised Malaysian Code of Corporate Governance against existing practices and drew up an action plan to implement some of these Practices. In this respect, appropriate amendments have been made to the key governance documents of the Group including the Board Charter and the Code of Business Conduct and Ethics for Directors, expanding the terms of references of the Board Committees, adoption of new policies governing provision of non-audit fees, remuneration policy for senior management, amongst others.

In terms of future priorities, the Group aims to further improve its disclosures on the corporate governance practices as well as to consider adopting some of the Step Up practices.

AUTHORISATION FOR ISSUANCE

The Board has reviewed and approved this Corporate Governance Overview Statement and the Corporate Governance Report.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

COMPOSITION

The Audit and Risk Management Committee ("ARMC") comprises of three non-executive directors, the majority of whom are independent, as follows:-

Chairman

(a) Mr. Soong Chee Keong (Independent Non-Executive Director)

Members

(b) Dato' Sri Amrin Bin Awaluddin (Independent Non-Executive Director)

(c) Mr. Lim Chin Sean (Non-Independent Non-Executive Director)

This meets the requirements of Paragraph 15.09(1)(a) and (b) of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad.

No alternate director is appointed as a member of the ARMC. Accordingly, Paragraph 15.09(2) of the MMLR has been complied with.

The ARMC Chairman, Mr. Soong Chee Keong, is a member of the Malaysian Institute of Accountants. Accordingly, Paragraphs 15.09(1)(c)(i) and 15.10 of the MMLR have been complied with.

TERMS OF REFERENCE

A copy of the Terms of Reference is published in the Company's website at http://taliworks.com.my/corporate-governance/

The Terms of Reference was last revised on 13 February 2018.

MEETING

The ARMC convened five (5) meetings during the year and the meetings were attended 100% by all the members of the ARMC.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

MEETING (Cont'd)

The meetings were held on the following dates and the main agenda were as follows:-

(a) 16 February

(i) to review and approve the following:-

a) unaudited quarterly financial results
b) ARMC Report for inclusion in the 2016 Annual Report
c) Internal Audit reports
d) recurrent related party transactions ("RRPTs") of a revenue or trading nature

(b) 28 March

(i) to review and approve the following:-

a) audited financial statements for the financial year ended 31 December 2016
b) the policy and procedures for provision of non-audit services (pursuant to the then recommendations 5.2 of the Malaysian Code on Corporate Governance 2012) and to recommend the same to the Board of Directors ("Board") for approval

(ii) to recommend the renewal of contractual agreements which are recurrent transactions of a revenue or trading nature to the Board for approval

(iii) to note the "review procedures and guidelines in relation to RRPT" as outlined in section 2.6 of the RRPT circular and to approve the "statement by the company's audit and risk management committee" as outlined in section 2.7 of the RRPT circular

(c) 22 May

(i) to review and approve the following:-

a) unaudited quarterly financial results,
b) Risk Management Working Group report
c) Internal Audit reports
d) Internal Audit Plan 2017/2018
e) RRPTs of a revenue or trading nature

MEETING (Cont'd)

(d) 16 August

(i) to review and approve the following:-

a) unaudited quarterly financial results,
b) Internal Audit reports
c) External Auditors' 2017 Audit Plan
d) RRPTs of a revenue or trading nature
e) provision of non-audit services
f) related party transaction

(e) 28 November

(i) to review and approve the following:-

a) unaudited quarterly financial results,
b) External Audit Engagement Letter
c) Internal Audit reports
d) Internal Audit Budget and Resource Plan For 2018
e) Risk Management Working Group report
f) provision of non-audit services
g) RRPTs of a revenue or trading nature

The ARMC held the meetings without the presence of other Directors and employees, except when the ARMC requested their attendance. The General Manager of Group Finance ("GFGM") was invited to all ARMC meetings to facilitate and provide clarification on financial issues and risk management. The Senior Manager, Group Internal Audit ("GIA"), who is also the Head of GIA, attended four (4) ARMC meetings to table the respective Internal Audit reports.

To ensure that the audited financial statements are in compliance with applicable Malaysian Financial Reporting Standards ("MFRS"), External Auditors were engaged to audit the Company's financial statements before they were presented to the ARMC for review and approval. They are then recommended to the Board for approval and adoption. The ARMC had obtained the External Auditors' confirmation on unlimited access to information and co-operation from the Management throughout the course of the audit.

The ARMC had one (1) private session with the External Auditors and GIA on 28 March 2017 and 28 November 2017 separately without the presence of the Management to discuss any issues that were of concern to the External Auditors and Internal Auditor respectively.

Subsequent to the meetings of the ARMC, the Chairman of the ARMC will brief the Board on matters discussed and deliberated at the ARMC meetings. The ARMC Chairman conveys to the Board matters of significant concern as and when raised by the Management, External Auditors and the GIA. Minutes of each ARMC meeting were recorded and tabled for confirmation at the following ARMC meeting and subsequently presented to the Board for notation.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

TRAINING

The trainings attended by members of the ARMC during the year are disclosed in the Corporate Governance Overview Statement included in this Annual Report.

SUMMARY OF ACTIVITIES

The ARMC's activities during the year comprised the following:-

Financial Reporting

(a) *Reviewing and approving the financial results of the Group*

The ARMC reviewed and approved the quarterly financial statements for the fourth quarter ended 31 December 2016, first quarter ended 31 March 2017, second quarter ended 30 June 2017 and third quarter ended 30 September 2017 at the respective ARMC meetings. In reviewing the quarterly financial statements, the ARMC would focus particularly on the following matters:-

(i) changes in or implementation of major accounting policies changes;
(ii) significant and unusual events; and
(iii) compliance with accounting standards and other regulatory requirements.

On 28 March 2017, the ARMC reviewed the annual audited financial statements for the financial year ended 31 December 2016 with the External Auditors in attendance.

All the quarterly financial statements were prepared in compliance with MFRS134: Interim Financial Reporting, issued by the Malaysian Accounting Standards Board and Paragraph 9.22 of the MMLR.

The ARMC's recommendations were presented for approval at the subsequent Board meetings.

External Audit

(a) *Overseeing the work of the External Auditors*

On 16 February 2017, the External Auditors presented their progress report on the unaudited results for the financial year ended 31 December 2016 to the ARMC, reporting that they had substantially completed its audit in accordance with the Professional Services Planning Memorandum 2016 (which was presented earlier to the ARMC on 16 November 2016) and would issue an unmodified opinion on the financial statements of the Group subject to the satisfactory resolution of the outstanding matters. The ARMC noted that the External Auditors did not encounter any material disagreement or significant difficulties while performing its work, and they had received full cooperation from Management with unrestricted access to information. Moreover, the ARMC noted the non-audit fees incurred in 2016 amounted to RM114,000 constituting approximately 22% of the total remuneration of RM510,000 to the External Auditors.

SUMMARY OF ACTIVITIES (Cont'd)

External Audit (Cont'd)

(a) *Overseeing the work of the External Auditors (Cont'd)*

On 28 March 2017, the External auditors briefed the ARMC that the Audited Financial Statements did not make any change on the Significant Risks and Other Areas of Audit Focus as highlighted to the ARMC at the Audit 2016 planning meeting. On the same day, the ARMC deliberated on the audited financial statements for the financial year ended 31 December 2016 prepared by Management with the External Auditors in attendance. The audited financial statements were thereafter recommended to the Board for approval. Besides, the ARMC reviewed and approved the policy and procedures for provision of non-audit services and recommended to Board for approval.

On 16 August 2017, the ARMC evaluated and discussed with the External Auditors the Professional Services Planning Memorandum 2017 ("2017 External Audit Plan") which encompasses the following salient points:-

(i) Auditor's responsibilities

(ii) Client service team

(iii) Materiality

(iv) Significant risks and areas of audit focus
- *a total of four (4) significant risks and seven (7) areas of audit focus were identified*

(v) Consideration of fraud

(vi) Internal control plan

(vii) Involvement of internal auditors, internal specialists and component auditors
- *the External Auditors do not expect to use the work of the internal audit function to modify the nature of timing, or reduce the extent, of audit procedures to be performed*

(viii) Timing of audit

(ix) Engagement quality control, independence policies and procedures

(x) Financial reporting and other updates

Having considered the above and after having further discussion with the External Auditors, the ARMC approved the 2017 External Audit Plan. In addition, the ARMC noted there was no significant provision for non-audit services as at 30 June 2017.

On 28 November 2017, the ARMC noted there was no significant provision for non-audit services as at 30 September 2017.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

SUMMARY OF ACTIVITIES (Cont'd)

External Audit (Cont'd)

(b) *Assessing the Independence and Suitability of the External Auditors*

Under the Independence policies and procedures set out in the 2017 External Audit Plan, the ARMC noted the following from the External Auditors:-

(i) that the External Auditors are in compliance with their independence requirements set out in the By-Laws (On Professional Ethics, Conduct and Practice) for Professional Accountants ("By-Laws"). In this respect, the External Auditors have provided a written assurance to the ARMC on their independence.

(ii) that the External Auditors have developed policies and important safeguards and procedures to address threats to their independence and objectivity including:-

a) assessment is made to the level of threat to objectivity and potential safeguards to combat these threats prior to acceptance of any non-audit engagement.
b) partners and managers are required to declare their financial interests in the partnership's Independence Monitoring System.
c) the audit engagement partner will be consulted and will approve all non-audit services to be provided to audit clients.
d) periodic rotation takes place of the audit engagement partner, the independent review partner and key audit partners in accordance with their policies and professional and regulatory requirements.

(iii) that the External Auditors have issued detailed ethical standards and independence policies to all partners and employees whom are required to confirm their compliance annually. They are also required to comply with the policies of other relevant professional and regulatory bodies. Amongst other things, these policies:-

a) generally state that no partner or employee (or their financial dependents) are allowed to hold a financial interest in any the audit clients (unless otherwise expressly permitted);
b) state that no partner or employee (or their financial dependents) should enter into business relationships with an audit client or affiliates;
c) prohibit any professional employee from accepting gifts from clients unless the value is clearly insignificant, trivial and inconsequential; and
d) provide safeguards against potential conflicts of interest.

(iv) the External Auditors' independence policy requires them to communicate in writing to the ARMC all breaches of independence set out in the By-Laws on a timely basis and all insignificant breaches on a quarterly basis as well as to obtain concurrence from the ARMC on actions taken to satisfactorily address any consequence of any identified breach.

Upon due consideration on the External Auditors' past performance, client service team, engagement quality control, independence policies and procedures as set out in the 2017 External Audit Plan as well as a written assurance by the External Auditors on their independence, the ARMC determined that the External Auditors are suitable to be engaged to undertake the statutory audit and are satisfied that their independence have not been compromised.

SUMMARY OF ACTIVITIES (Cont'd)

Internal Audit

The GIA team conducted the audit activities as per two risk-based annual Internal Audit Plans i.e. 2016-2017 and 2017-2018 approved by the ARMC on 24 May 2016 and 22 May 2017 respectively. The Head of GIA presented internal audit reports in four (4) ARMC meetings during the year. These reports contain:-

a) status and progress of internal audit assignments including summaries of the audit reports issued;
b) effects / potential risks and audit recommendations provided by the GIA;
c) Management's responses to audit recommendations and their committed action plans; and
d) status of follow-up audits on Management's committed action plans.

The risk-based Internal Audit Plans are reviewed on a yearly basis and as required contingent on the changes in internal and external risks faced by the various core operations and industries. A total of 32 full internal audits and 19 follow-up internal audits were completed during the year focusing on the following 16 key areas:-

(a) Administration
(b) Business Development & Marketing
(c) Contract Administration Unit
(d) Contract Management
(e) Customer Relations Management
(f) Finance
(g) Fixed Asset Management
(h) Inventory Management
(i) Maintenance & Engineering
(j) Operation
(k) Project Management
(l) Purchasing
(m) Quality Assurance & Quality Control
(n) Sales Administrative
(o) System & Administrative Support
(p) Tendering

On 22 May 2017, the ARMC approved the annual Internal Audit Plan 2017/2018 that covers all core operations including water treatment, highway management, construction and waste management.

On 28 November 2017, the ARMC reviewed and approved the Internal Audit Budget and Resource Plan 2018 with the view that GIA is competently staffed and has adequate resources to carry out the internal audit function in the coming year. In addition, ARMC noted the annual Declaration of Independence from GIA for the financial year ended 31 December 2017.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

SUMMARY OF ACTIVITIES (Cont'd)

Risk Management

The ARMC reviewed bi-annually the report of the Risk Management Working Group ("RMWG") presented by the GFGM on 22 May 2017 and 28 November 2017 that covered risk profiles of the following divisions:-

(a) Engineering and Construction
(b) Water and Engineering Division – Sungai Harmoni Sdn. Bhd. and Taliworks (Langkawi) Sdn. Bhd.
(c) Toll Highway Division - Grand Saga Sdn. Bhd., Grand Sepadu (NK) Sdn. Bhd
(d) Group Strategic Risks

The Risk Profile indicated the impact, likelihood and residual risk rating of every risks identified for the divisions. It is supported by Risk Registers that detailed the description, cause, consequences, control and its effectiveness etc for each and every identified risks.

The ARMC presented a summary of the RMWG reports at the subsequent Board meetings for notation.

Recurrent Related Party Transactions ("RRPTs") and Related Party Transactions ("RPTs")

In accordance with Bursa Malaysia Listing Requirements, the ARMC contemplated and reviewed the RRPTs tabled at the every ARMC meetings to ensure that they are:-

a) at arm's length;
b) on normal commercial terms;
c) on terms not more favourable to the Related Party than those generally available to the public;
d) in its opinion, are not detrimental to the minority shareholders; and
e) in the best interest of the Company

The ARMC (except for an interested director) thereafter recommended the RRPTs for approval at the subsequent Board meetings.

Audit Committee's Report and Statement on Risk Management and Internal Control

The ARMC had approved this Audit and Risk Management Committee Report and reviewed the Statement on Risk Management and Internal Control for inclusion in this Annual Report.

Fraud

There was no major incidence of fraud or wrongdoings during the year reported to the ARMC by the Executive Director or to the Chairman of the ARMC under the Company's whistle-blowing policy. As part of the External Auditors' assessment of the audited financial statements, the ARMC had also confirmed to the External Auditors that it has no knowledge of any actual, suspected or alleged fraud affecting the Group.

INTERNAL AUDIT FUNCTION

The ARMC is supported by an internal audit function in the discharge of its duties and responsibilities. The internal audit function reports directly to the ARMC and carries out its role in accordance with the recognised framework. The internal audit function is responsible to independently review, appraise and recommend improvements to the governance, risk and internal control systems established by the Management. The internal audit function provides timely and impartial advice to the ARMC and the respective Management as to whether activities reviewed are:-

a) in accordance with the Group's policies and direction;
b) in compliance with prescribed laws and regulations; and
c) achieving the desired results effectively and efficiently.

On a quarterly basis, the internal audit function submits audit reports to the ARMC for review and actions.

The internal audit function performed a risk-based*, ad-hoc and routine audits during the year in accordance with the Internal Audit Plans as approved by the ARMC. The audit results were discussed with the respective Management and action plans were put in place to complete the necessary preventive and corrective actions before presenting to ARMC for review. Where applicable, the internal audit function conducted follow up audits to ensure that Management's commitment on corrective actions were fulfilled timely and appropriately.
** high priority risk areas based on risk evaluations including risk management profile.*

In addition, the internal audit function played an advisory role to the Management in the course of performing its internal audit activities.

The internal audit function is supported by an in-house GIA Department. The department provides internal audit services covering the Company, all of its local and foreign subsidiaries and major associated companies. The total costs incurred for the internal audit function for the year was approximately RM881,000 (2016: RM799,000). The 10% increase in cost versus previous year was mainly due to an increase in staff related costs i.e. bonus, salary, medical fees, welfare and training.

The GIA is headed by a Senior Manager (Mr. Lee Chee Leong, Henry) who is a fellow member of the Association of Chartered Certified Accountants with double degrees. He was appointed as the Head of Internal Audit since Dec 2011 and has over twenty years of experience in internal audit and various other functions (i.e. compliance, information technology, risk management, quality management, finance and credit control) involving multiple industries including merchant banking, investment banking, both life and general insurance, property development and construction.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

INTERNAL AUDIT FUNCTION (Cont'd)

The Head of GIA is supported by a team of six (6) members employed under the Company. 67% (or 4) of the internal auditors had highest qualification at professional or post graduate level as follows:

Highest Qualification	No of auditors	%
Professional	3	50
Post Graduate	1	17
Diploma	2	33
Total	**6**	**100**

Meanwhile, all 6 internal auditors had more than 5 years of working experience** with 50% (or 3) of them exceeding 10 years as follows:

Years of working experience*	No of auditors	%
0 – 5	nil	0
> 5 – 10	3	50
> 10 – 15	1	17
> 15	2	33
Total	**6**	**100**

*** Total of all functions including internal audit, external audit, compliance, finance etc.*

ADDITIONAL COMPLIANCE INFORMATION

In compliance with Part A of Appendix 9C of the Listing Requirements, the following are additional information to be disclosed in this Annual Report: -

Profile of Directors, Chief Executive and Key Senior Management

The profile of the Directors of the Company can be found on pages 20 to 25 of this Annual Report.

The profile of key senior management of the Company is disclosed in the Company's website at http://taliworks.com.my/corporate-information/ under the caption "Key Senior Management".

Audit and Non-Audit Fees

(a) The amount of audit fees paid or payable by the Company and the Group to the Company's External Auditors, Deloitte PLT, are as follows: -

(i) Company – RM95,000
(ii) Group – RM384,600*

* *including audit fees of RM72,000 incurred by a joint venture company, in which Deloitte PLT are the External Auditors*

(b) The non-audit fees paid or payable for services rendered to the Company and the Group by the Company's External Auditors or a firm or corporation affiliated to it, are as follows: -

(i) Company - RM89,000
(ii) Group - RM128,700*

* *including non-audit fees of RM3,500 incurred by a joint venture company*

The non-audit fees are in relation to the provision of taxation services and provision of accounting review services with respect to the adoption of MFRS 15 - Revenue from Contracts with Customers and MFRS 9 - Financial Instruments.

(c) the above fees exclude GST and out-of-pocket expenses.

Status of Utilisation of Proceeds

As at the end of the financial year, the status of utilisation of proceeds raised from the Disposal of Foreign Operations is as disclosed below. The Disposal of Foreign Operations was completed in May 2016 and further details of the Disposal of Foreign Operations are disclosed in Note 46(a) to the Financial Statements.

	Gross proceeds raised		Actual utilisation	Intended timeframe for utilisation
	USD'000	RM'000 Equivalent	RM'000	RM'000
(i) Part finance the acquisition of SWM Environment Holdings Sdn Bhd as disclosed in Note 46(b) to the Financial Statements/ future investments/working capital purposes/payment of dividends/repayment of borrowings	53,432	216,266#	203,998	Within 24 months
(ii) Estimated expenses for the corporate proposals	1,168	5,000	5,000	Immediate
	54,600	221,266	208,998	

 # based on the exchange rate of approximately USD1/RM4.05 as at the end of the financial year.

The balance of the proceeds has been fully utilised subsequent to the financial year end.

ADDITIONAL COMPLIANCE INFORMATION

Material Contracts

Save as disclosed in Note 44 of the Financial Statements on the Significant Related Party Transactions, there were no material contracts entered into by the Company and its subsidiaries involving the interests of the directors, chief executive who is not a director or major shareholders, either still subsisting at the end of the financial year or, if not then subsisting, entered into since the end of the previous financial year.

Recurrent Related Party Transactions

Pursuant to Paragrapgh 3.1.15 of Practice Note 12, the Recurrent Related Party Transactions entered into by the Company and its subsidiaries with related parties pursuant to a shareholders' mandate were as follows:

Related Parties	Type of the Recurrent Related Party Transactions	Aggregate value of Recurrent Related Party Transactions made during the financial year (RM'000)
Exitra Sdn Bhd and Exitra Solutions Sdn Bhd; companies in which a director and major shareholders have an interest	Services rendered by the Related Party in relation to the provision of information technology services, broadband and maintenance, sales of hardware and software either as vendor or re-seller	2,047

Properties of the Group

Particulars of the properties of the Company or its subsidiaries have not been separately disclosed as their respective net book value represent less than 5% of the consolidated total assets of the Group as at the end of the financial year.

Employee Share Options Scheme ("ESOS")

There is no ESOS implemented by the Company which is subsisting as at the end of the financial year.

AUDITED FINANCIAL STATEMENTS

DIRECTORS' REPORT

The directors of **TALIWORKS CORPORATION BERHAD** have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding, provision of contracting, project and management services.

The information on the name, place of incorporation, principal activities and percentage of issued share capital held by the holding company in each subsidiary is as disclosed in Note 19 to the financial statements.

RESULTS OF OPERATIONS

The results of operations of the Group and of the Company for the financial year are as follows:

	The Group RM'000	**The Company RM'000**
Profit before tax	49,727	19,492
Income tax expenses	(7,647)	-
Profit for the financial year	42,080	19,492
Profit attributable to:		
Owners of the Company	29,083	19,492
Non-controlling interests	12,997	-
	42,080	19,492

In the opinion of the directors, the results of operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

The dividends on ordinary shares declared and paid by the Company since the previous financial year were as follows:

	RM'000
In respect of the financial year ended 31 December 2016 and dealt with in the previous year's Directors' Report:	
Fourth interim single-tier dividend of 2.0 sen per share paid on 31 March 2017;	24,190
In respect of the financial year ended 31 December 2017:	
First interim single-tier dividend of 2.0 sen per share paid on 14 July 2017;	24,190
Second interim single-tier dividend of 2.0 sen per share paid on 21 September 2017; and	24,190
Third interim single-tier dividend of 2.0 sen per share paid on 10 January 2018	24,190
	96,760

Subsequent to the end of the financial year, on 28 February 2018, the directors declared the payment of a fourth interim single-tier dividend of 2.0 sen per share on 1,209,489,000 ordinary shares, amounting to approximately RM24,190,000 in respect of the current financial year to be paid on 13 April 2018. This dividend has not been included as a liability in the statements of financial position as of 31 December 2017.

The directors do not recommend any final dividend in respect of the current financial year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

ISSUE OF SHARES AND DEBENTURES

The Company did not issue any new shares or debentures during the financial year.

DIRECTORS' REPORT

WARRANTS

On 12 November 2015, the Company issued 241,897,790 Warrants 2015/2018 ("Warrants") on the basis of one (1) Warrant for every five (5) ordinary shares held after the Share Split involving the subdivision of every two (2) then existing ordinary shares of RM0.50 each into five (5) ordinary shares of RM0.20 each which was completed on 9 November 2015. The Warrants entitle the holders to subscribe for one (1) new ordinary share for every one (1) Warrant held within three years from the date of issuance of the Warrants to the expiry date on 11 November 2018 ("Exercise Period"), and any Warrants not exercised by that date shall thereafter lapse and cease to be valid.

The main features of the Warrants and the movements in the Warrants for the financial year ended 31 December 2017 are disclosed in Note 32 to the financial statements.

SHARE OPTIONS

No options have been granted by the Company to any parties during the financial year to take up unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of any option to take up unissued shares of the Company. As of the end of the financial year, there were no unissued shares of the Company under options except for the Warrants.

OTHER STATUTORY INFORMATION

Before financial statements of the Group and of the Company were prepared, the directors took reasonable steps:

(a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

(b) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including the value of current assets as shown in the accounting records of the Group and of the Company had been written down to an amount which the current assets might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances:

(a) which would render the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or

(b) which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading; or

(c) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

(d) not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

OTHER STATUTORY INFORMATION (CONT'D)

At the date of this report, there does not exist:

(a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liability of any other person; or

(b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

No contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations when they fall due.

In the opinion of the directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of operations of the Group and of the Company in the financial year in which this report is made.

DIRECTORS

The directors of the Company in office during the financial year and during the period from the end of the financial year to the date of this report are:

Dato' Lim Yew Boon
Mr. Lim Chin Sean
Mr. Soong Chee Keong
Tan Sri Dato' Seri Ong Ka Ting
Mr. Vijay Vijendra Sethu
Dato' Sri Amrin Bin Awaluddin
Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin
Encik Ahmad Jauhari Bin Yahya

The directors of the subsidiaries of the Company in office during the financial year end and during the period from the end of the financial year to the date of this report are:

Wong Mean
Chew Hoong Cheong
Zulfikri Bin Suboh
Abdul Razak Bin Hashim
Dato' Lim Yew Boon
Wang Kwee Luan
Wong Wai Meng
Dato' Lim Chee Meng
Chin Soong Jin
Mr. Vijay Vijendra Sethu

DIRECTORS' REPORT

DIRECTORS (CONT'D)

The directors of the subsidiaries of the Company in office during the financial year end and during the period from the end of the financial year to the date of this report are (cont'd):

Norsam @ Norsamsida Binti Hassan
Mohamad Hafiz Bin Kassim
Kalpana G A/P Gnanachandran (alternate director to Mohamad Hafiz Bin Kassim)
Phang Kwai Sang
Datin Lee Li-May
Chee Lean Thong
Teh Siok Wah
Lim Siew Ling
Wong Voon Leong
Lim Horng Ling

DIRECTORS' INTERESTS

The interest in shares in the Company and in the related corporation of those who were directors at the end of the financial year according to the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act, 2016 are as follows:

	Number of Ordinary Shares^			
	Balance as at 1.1.2017	**Bought**	**Sold**	**Balance as at 31.12.2017**
Shares in the Company				
Direct interest				
Dato' Lim Yew Boon	375,000	-	-	375,000
Mr. Lim Chin Sean	150,004	-	-	150,004
Tan Sri Dato' Seri Ong Ka Ting	8,750,000	-	-	8,750,000
Mr. Vijay Vijendra Sethu	63,750,000	-	-	63,750,000
Indirect interest				
Mr. Lim Chin Sean	604,100,000#	-	-	604,100,000#
Mr. Vijay Vijendra Sethu	45,000,000*	-	-	45,000,000*

DIRECTORS' INTERESTS (CONT'D)

	Number of Warrants 2015/2018			
	Balance as at 1.1.2017	Granted	Sold	Balance as at 31.12.2017
Warrants in the Company				
Direct interest				
Dato' Lim Yew Boon	75,000	-	-	75,000
Mr. Lim Chin Sean	30,004	-	-	30,004
Tan Sri Dato' Seri Ong Ka Ting	1,750,000	-	-	1,750,000
Mr. Vijay Vijendra Sethu	12,750,000	-	-	12,750,000
Indirect interest				
Mr. Lim Chin Sean	120,820,000#	-	-	120,820,000#
Mr. Vijay Vijendra Sethu	9,000,000*	-	-	9,000,000*

\# Deemed interest by virtue of his interest in corporate shareholders pursuant to Section 8(4) of the Companies Act, 2016.

By virtue of this interest in the Company pursuant to Section 8(4) of the Companies Act, 2016, Mr. Lim Chin Sean is also deemed to have an interest in the shares of all the Company's subsidiaries to the extent the Company has an interest.

* Indirect interest through a family trust.

^ Upon the effective date of the Companies Act, 2016 as of 31 January 2017, the ordinary shares do not have any par value.

Other than disclosed above, none of the other directors in office at the end of the financial year held shares or had beneficial interest in the shares and options over shares in the Company or its related corporation during or at the beginning and end of the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the directors of the Company has received or become entitled to receive a benefit (other than the benefits included in the aggregate amount of emoluments received or due and receivable by the directors as disclosed in the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except for any benefits which may be deemed to have arisen by virtue of the transactions between the Company and certain companies in which certain directors of the Company and/or its subsidiaries or persons connected with such directors have interests as disclosed in Note 44 to the financial statements.

DIRECTORS' REPORT

DIRECTORS' BENEFITS (CONT'D)

During and at the end of the financial year, no arrangement subsisted to which the Company was a party whereby directors of the Company might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, except for the Warrants as disclosed in Note 32 to the financial statements.

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

The Company maintains directors' and officers' liability insurance for purposes of Section 289 of the Companies Act, 2016, throughout the year, amounting to RM10,000,000, which provides appropriate insurance cover for the directors and officers of the Company and its subsidiaries. The amount of insurance premium paid during the year amounted to RM15,380 (inclusive of Goods and Service Tax and stamp duty).

AUDITORS

The auditors, Deloitte PLT, have indicated their willingness to continue in office.

AUDITORS' REMUNERATION

The amount payable as remuneration of the auditors for the financial year ended 31 December 2017 is as disclosed in Note 9 to the financial statements.

Signed on behalf of the Board
in accordance with a resolution of the directors,

DATO' LIM YEW BOON

LIM CHIN SEAN

Kuala Lumpur,
29 March 2018

STATEMENT BY DIRECTORS

The directors of **TALIWORKS CORPORATION BERHAD** state that, in their opinion, the accompanying financial statements are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and of the financial performance and the cash flows of the Group and of the Company for the year ended on that date.

Signed on behalf of the Board
in accordance with a resolution of the directors,

DATO' LIM YEW BOON

LIM CHIN SEAN

Kuala Lumpur,
29 March 2018

DECLARATION BY THE OFFICER PRIMARILY RESPONSIBLE FOR THE FINANCIAL MANAGEMENT OF THE COMPANY

I, **WONG VOON LEONG**, the officer primarily responsible for the financial management of **TALIWORKS CORPORATION BERHAD**, do solemnly and sincerely declare that the accompanying financial statements are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

WONG VOON LEONG

Subscribed and solemnly declared by the abovenamed **WONG VOON LEONG** at **PETALING JAYA** this 29th day of March, 2018.

Before me,

PESURUHJAYA SUMPAH
No : B185
Nama: NG SAY HUNG
MALAYSIA

COMMISSIONER FOR OATHS

No. 69A, Jalan SS21/37
Damansara Utama (Up Town)
47400 Petaling Jaya, Selangor D.E

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF TALIWORKS CORPORATION BERHAD (Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **TALIWORKS CORPORATION BERHAD**, which comprise the statements of financial position as of 31 December 2017 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 138 to 257.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2017, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Emphasis of Matter

We draw attention to Note 25(b) to the financial statements which explains the uncertainty over the collectability of an amount owing by a customer. Our opinion is not qualified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How the matter was addressed in the audit
Impairment assessment of goodwill and intangible asset The Group has goodwill and intangible asset of RM129,385,000 and RM1,129,152,000 respectively, relating to Cerah Sama Sdn. Bhd. ("CSSB") which arose as a result of a restructuring exercise in August 2014. Determining whether the goodwill and intangible asset are impaired requires management estimation of the recoverable amount. The recoverable amount is determined based on an estimation of the present value of future cash flows expected to be generated. The key bases and assumptions used in the estimation of the recoverable amount involve a significant degree of management judgement. Refer to key bases and assumptions used as disclosed in Note 23.	Our audit procedures, amongst others, included the following: • Involvement of our internal valuation specialist in reviewing the appropriateness of the valuation model; • Involvement of our internal valuation specialist in reviewing the discount rate determined by management on the computation of recoverable amount; • Performed retrospective review of the cash flow projection used in the model to assess the reliability of management's estimates; • Challenged the reasonableness of the key bases and assumptions underpinning the model, including the discount rate used and the traffic volume growth rate; and • Performed sensitivity analysis on management's assumptions to assess if any reasonably possible changes in these assumptions can lead to impairment loss.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF TALIWORKS CORPORATION BERHAD (Incorporated in Malaysia)

Key Audit Matters (cont'd)

Key audit matters	How the matter was addressed in the audit
Assessment of carrying amount of a trade receivable due to uncertainty over the collectability As of 31 December 2017, the gross invoiced amount owing by Syarikat Pengeluar Air Sungai Selangor Sdn. Bhd. ("SPLASH") to the Group amounted to RM616,299,000. In September 2014, the Selangor state and Federal government executed a heads of agreement for Pengurusan Air Selangor Sdn. Bhd. ("Air Selangor"), a special purpose vehicle created by the Selangor state government, to take over the water supply services in Selangor, Kuala Lumpur and Putrajaya by acquiring all the concessionaires. The Selangor state government, through Air Selangor, has completed the acquisitions of other water concessionaires namely Puncak Niaga (M) Sdn. Bhd, Syarikat Bekalan Air Selangor Sdn. Bhd. ("SYABAS") and Konsortium ABASS Sdn. Bhd. SPLASH, is the only remaining water concessionaire in Selangor yet to be taken over by Air Selangor. Pending the final outcome, SPLASH's receipts from SYABAS, the concessionaire for the supply of treated water in Selangor is expected to continue to be delayed, thus affecting its ability to make timely payments to the Group. Due to the uncertainty over the collectability of the receivable, the directors of the Company have considered three possible scenarios on the timing of collection and has taken the probability-weighted average approach to determine the provision for discounting for the current financial year, amounting to RM51,488,000. Significant management judgement is required in estimating the timing of collection of the receivable, the discount rate used and the probability of each scenario. Refer to the key assumptions used as disclosed in Note 25.	Our audit procedures, amongst others, included the following: • Involvement of our internal valuation specialist in reviewing the appropriateness of the discount rate used; • Performed retrospective review to assess the reliability of management's estimates such as timing of collection; and • For each of the three scenarios, we challenged the reasonableness of the management estimates and assumptions, including the timing of repayment, the discount rate used and the probability of each scenario.

Key Audit Matters (cont'd)

We have determined that there are no key audit matters in the audit of the separate financial statements of the Company to communicate in our auditors' report.

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF TALIWORKS CORPORATION BERHAD (Incorporated in Malaysia)

Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 2016 in Malaysia, we report that subsidiaries of which we have not acted as auditors, are disclosed in Note 19 to the financial statements.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Deloitte PLT

DELOITTE PLT (LLP0010145-LCA)
Chartered Accountants (AF 0080)

KHONG SIEW CHIN
Partner - 03049/03/2019 J
Chartered Accountant

29 March 2018

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	The Group 2017 RM'000	The Group 2016 RM'000	The Company 2017 RM'000	The Company 2016 RM'000
Continuing operations					
Revenue	6	368,640	304,856	58,690	78,723
Cost of operations	7	(214,280)	(207,801)	(27,398)	(18,235)
Gross profit		154,360	97,055	31,292	60,488
Other operating income	8	8,296	42,132	1,764	6,976
Administrative and other expenses	9	(94,278)	(43,689)	(12,072)	(86,634)
Finance costs	10	(22,584)	(23,152)	(1,492)	(2,108)
Share of results of joint venture		2,748	318	-	-
Share of results of associates		1,185	12,238	-	-
Profit/(Loss) before tax		49,727	84,902	19,492	(21,278)
Income tax (expense)/income	13	(7,647)	8,391	-	-
Profit/(Loss) for the year from continuing operations		42,080	93,293	19,492	(21,278)
Discontinued operations					
Profit for the year from discontinued operations, net of tax	14	-	54,842	-	-
Profit/(Loss) for the year		42,080	148,135	19,492	(21,278)
Other comprehensive income/(loss)					
Items that may be reclassified subsequently to profit or loss:					
Currency translation differences of foreign operations		-	(13,568)	-	-
Currency translation differences - transfer to profit or loss upon disposal of foreign operations		-	(46,176)	-	-
Net fair value gain on available-for-sale financial assets		478	82	21	197
Total other comprehensive income/(loss) for the year		478	(59,662)	21	197
Total comprehensive income/(loss) for the year		42,558	88,473	19,513	(21,081)

	Note	The Group 2017 RM'000	The Group 2016 RM'000	The Company 2017 RM'000	The Company 2016 RM'000
Profit/(Loss) for the year from continuing operations attributable to:					
Owners of the Company		29,083	75,247	19,492	(21,278)
Non-controlling interests		12,997	18,046	-	-
		42,080	93,293	19,492	(21,278)
Profit/(Loss) for the year attributable to:					
Owners of the Company		29,083	127,428	19,492	(21,278)
Non-controlling interests		12,997	20,707	-	-
		42,080	148,135	19,492	(21,278)
Total comprehensive income/(loss) for the year attributable to:					
Owners of the Company		29,322	71,129	19,513	(21,081)
Non-controlling interests		13,236	17,344	-	-
		42,558	88,473	19,513	(21,081)
Earnings per share attributable to owners of the Company (sen)	15				
Basic and diluted					
From continuing operations		2.40	6.23		
From discontinued operations		-	4.31		
		2.40	10.54		

The accompanying Notes form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Note	The Group 2017 RM'000	The Group 2016 RM'000 (Restated)	The Company 2017 RM'000	The Company 2016 RM'000
ASSETS					
Non-Current Assets					
Property, plant and equipment	16	16,050	21,050	2,155	4,100
Investment properties	17	240	247	240	247
Intangible assets	18	1,129,152	1,155,333	-	-
Investment in subsidiaries	19	-	-	319,782	319,782
Investment in joint venture	20	70,403	67,655	67,173	67,173
Investment in associates	21	231,972	251,854	232,844	249,931
Other investment	22	240	240	-	-
Goodwill on consolidation	23	129,385	129,385	-	-
Deferred tax assets	24	42,553	31,906	-	-
Long-term trade receivables	25	362,318	307,606	-	-
Deposits, cash and bank balances	26	32,957	154,123	3,721	125,807
Total Non-Current Assets		2,015,270	2,119,399	625,915	767,040
Current Assets					
Inventories	27	1,276	1,488	-	-
Amount due from contract customers	28	17,194	13,101	3,852	-
Trade receivables	25	138,973	122,647	1,715	4,211
Other receivables, deposits and prepayments	29	16,024	21,342	10,209	17,790
Amount due from subsidiaries	30	-	-	57,903	39,246
Tax recoverable		1,723	1,466	-	-
Available-for-sale financial assets	31	69,770	63,020	2,075	4,052
Deposits, cash and bank balances	26	111,490	113,576	49,908	43,390
Total Current Assets		356,450	336,640	125,662	108,689
TOTAL ASSETS		2,371,720	2,456,039	751,577	875,729

	Note	The Group 2017 RM'000	The Group 2016 RM'000	The Company 2017 RM'000	The Company 2016 RM'000
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	32	438,561	241,898	438,561	241,898
Share premium	33	-	196,663	-	196,663
Available-for-sale reserve		173	(66)	-	(21)
Merger deficit	34	(71,500)	(71,500)	-	-
Retained earnings	35	686,300	753,977	267,333	344,601
Total Equity Attributable to Owners of the Company		1,053,534	1,120,972	705,894	783,141
Non-controlling interests		274,336	277,270	-	-
Total Equity		1,327,870	1,398,242	705,894	783,141
Deferred and Non-Current Liabilities					
Long-term borrowings	36	416,573	416,185	-	-
Long-term trade payables	37	8,671	7,250	-	-
Provision for heavy repairs	38	13,617	16,720	-	-
Deferred income	39	141,512	156,294	-	-
Deferred tax liabilities	24	236,162	238,866	-	-
Total Deferred and Non-Current Liabilities		816,535	835,315	-	-
Current Liabilities					
Amount due to contract customers	28	786	184	-	184
Trade payables	37	132,873	88,003	-	-
Other payables and accruals	40	51,176	45,361	21,493	22,373
Dividend payable	41	24,190	-	24,190	-
Short-term borrowings	36	157	70,213	-	70,031
Deferred income	39	16,065	16,640	-	-
Tax liabilities		2,068	2,081	-	-
Total Current Liabilities		227,315	222,482	45,683	92,588
Total Liabilities		1,043,850	1,057,797	45,683	92,588
TOTAL EQUITY AND LIABILITIES		2,371,720	2,456,039	751,577	875,729

The accompanying Notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

The Group	Note	Share capital RM'000	← Non-distributable reserves Share premium RM'000	Currency translation reserve RM'000	Available-for-sale reserve RM'000	Merger deficit RM'000 →	Distributable reserve - Retained earnings RM'000	Attributable to Owners of the Company RM'000	Non-controlling interests RM'000	Total equity RM'000
As of 1 January 2016		241,898	196,663	56,397	(164)	(71,500)	723,308	1,146,602	286,553	1,433,155
Available-for-sale financial assets		-	-	-	98	-	-	98	(16)	82
Currency translation differences		-	-	(12,936)	-	-	-	(12,936)	(632)	(13,568)
Currency translation differences – transfer to profit or loss upon disposal of foreign operations	46	-	-	(43,461)	-	-	-	(43,461)	(2,715)	(46,176)
Total other comprehensive (loss)/income for the year		-	-	(56,397)	98	-	-	(56,299)	(3,363)	(59,662)
Profit for the year		-	-	-	-	-	127,428	127,428	20,707	148,135
Total comprehensive (loss)/income for the year		-	-	(56,397)	98	-	127,428	71,129	17,344	88,473

The Group	Note	Share capital RM'000	← Share premium RM'000	Non-distributable reserves Currency translation reserve RM'000	Available-for-sale reserve RM'000	Merger deficit RM'000 →	Distributable reserve - Retained earnings RM'000	Attributable to Owners of the Company RM'000	Non-controlling interests RM'000	Total equity RM'000
Transactions with Owners of the Company:										
Proceeds from exercise of warrants	32 & 33	-*	-*	-	-	-	-	-*	-	-*
Dividends paid	41	-	-	-	-	-	(96,759)	96,759)	-	(96,759)
Dividends paid by a subsidiary to non-controlling interest		-	-	-	-	-	-	-	(19,404)	(19,404)
Non-controlling interest arising from issuance of ordinary shares in a subsidiary		-	-	-	-	-	-	-	200	200
De-recognition on disposal of subsidiaries	46	-	-	-	-	-	-	-	(7,423)	(7,423)
Total transactions with Owners of the Company		-	-	-	-	-	(96,759)	(96,759)	(26,627)	(123,386)
As of 31 December 2016		241,898	196,663	-	(66)	(71,500)	753,977	1,120,972	277,270	1,398,242

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

The Group	Note	Share capital RM'000	Non-distributable reserves Share premium RM'000	Available-for-sale reserve RM'000	Merger deficit RM'000	Distributable reserve - Retained earnings RM'000	Attributable to Owners of the Company RM'000	Non-controlling interests RM'000	Total equity RM'000
As of 1 January 2017		241,898	196,663	(66)	(71,500)	753,977	1,120,972	277,270	1,398,242
Available-for-sale financial assets		-	-	239	-	-	239	239	478
Total other comprehensive income for the year		-	-	239	-	-	239	239	478
Profit for the year		-	-	-	-	29,083	29,083	12,997	42,080
Total comprehensive income for the year		-	-	239	-	29,083	29,322	13,236	42,558
Transactions with Owners of the Company:									
Dividend payable	41	-	-	-	-	(24,190)	(24,190)	-	(24,190)
Dividends paid	41	-	-	-	-	(72,570)	(72,570)	-	(72,570)
Dividends paid by a subsidiary to non-controlling interest		-	-	-	-	-	-	(16,170)	(16,170)
Total transactions with Owners of the Company		-	-	-	-	(96,760)	(96,760)	(16,170)	(112,930)
Transfer arising from no-par value regime	32&33	196,663	(196,663)	-	-	-	-	-	-
As of 31 December 2017		438,561	-	173	(71,500)	686,300	1,053,534	274,336	1,327,870

The accompanying Notes form an integral part of the financial statements.

The Company	Note	Share capital RM'000	Non-distributable reserves Share premium RM'000	Available-for-sale reserve RM'000	Distributable reserve - Retained earnings RM'000	Total equity RM'000
As of 1 January 2016		241,898	196,663	(218)	462,638	900,981
Available-for-sale financial assets		-	-	197	-	197
Total other comprehensive income for the year		-	-	197	-	197
Loss for the year		-	-	-	(21,278)	(21,278)
Total comprehensive income/(loss) for the year		-	-	197	(21,278)	(21,081)
Transactions with owners of the Company:						
Proceeds from exercise of Warrants	32 & 33	-*	-*	-	-	-*
Dividends paid	41	-	-	-	(96,759)	(96,759)
Total transactions with owners of the Company		-	-	-	(96,759)	(96,759)
As of 31 December 2016		241,898	196,663	(21)	344,601	783,141

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

The Company	Note	Share capital RM'000	Non-distributable reserves Share premium RM'000	Non-distributable reserves Available-for-sale reserve RM'000	Distributable reserve - Retained earnings RM'000	Total equity RM'000
As of 1 January 2017		241,898	196,663	(21)	344,601	783,141
Available-for-sale financial assets		-	-	21	-	21
Total other comprehensive income for the year		-	-	21	-	21
Profit for the year		-	-	-	19,492	19,492
Total comprehensive income for the year		-	-	21	19,492	19,513
Transactions with owners of the Company:						
Dividend payable	41	-	-	-	(24,190)	(24,190)
Dividends paid	41	-	-	-	(72,570)	(72,570)
Total transactions with owners of the Company		-	-	-	(96,760)	(96,760)
Transfer arising from no par value regime	32 & 33	196,663	(196,663)	-	-	-
As of 31 December 2017		438,561	-	-	267,333	705,894

* Includes 50 new ordinary shares of RM0.20 each issued at RM1.70 per share from the exercise of Warrants 2015/2018 as disclosed in Note 32.

The accompanying Notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES				
Profit/(Loss) before tax	49,727	140,256	19,492	(21,278)
Adjustments for:				
Provision for discounting of receivables - net	51,488	49,458	-	-
Amortisation of intangible assets	26,181	35,602	-	-
Finance costs	22,584	32,123	1,492	2,108
Depreciation of:				
Property, plant and equipment	6,615	8,813	1,842	2,476
Investment properties	7	7	7	7
Provision for heavy repairs:				
Current year	3,049	4,115	-	-
Overprovision in prior year	(6,152)	-	-	-
Write off of:				
Property, plant and equipment	56	9	-	-
Amount owing from subsidiary	-	-	3	6
Unrealised foreign exchange loss/(gain) - net	2,365	(13,619)	2,365	3,056
Interest expense imputed in borrowings	548	550	-	-
Reversal of interest income/(Interest income) imputed in retention sums – net	460	(160)	-	-
Deferred income recognised:				
Government compensation	(16,640)	(17,289)	-	-
Rental and maintenance fee	(67)	(67)	-	-
Government grant	-	(163)	-	-
Interest income	(4,146)	(4,059)	(813)	(1,076)
Share of results of:				
Joint venture	(2,748)	(318)	-	-
Associates	(1,185)	(12,238)	-	-
Available-for-sale financial assets:				
Dividend income	(1,925)	(3,972)	(168)	(1,914)
Gain on redemption - net	(43)	(471)	(29)	(466)
(Gain)/Loss on disposal of:				
Property, plant and equipment	(231)	(172)	(17)	(73)
Subsidiaries	-	(65,786)	-	72,841
Reversal of impairment of investment in subsidiaries	-	-	-	(63)
Unwinding of discount on receivables	-	(9)	-	-
Construction profit recognised pursuant to IC Interpretation 12	-	(108)	-	-
Value-added tax exempted by tax authority	-	(1,350)	-	-
Dividend income	-	-	(30,810)	(60,034)

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Operating Profit/(Loss) Before Working Capital Changes	129,943	151,152	(6,636)	(4,410)
Decrease/(Increase) in:				
Inventories	212	(411)	-	-
Amount due from contract customers	(4,093)	(4,549)	(3,852)	-
Trade and other receivables	(129,612)	(102,288)	(11,975)	(1,334)
Increase/(Decrease) in:				
Amount due to contract customers	602	(1,219)	(184)	(1,219)
Trade and other payables	51,612	13,281	(1,035)	8,140
Deferred income	1,350	-	-	-
Cash Generated From/(Used In) Operations	50,014	55,966	(23,682)	1,177
Income tax paid	(21,556)	(20,601)	-	-
Income tax refunded	288	51	-	-
Net Cash From/(Used In) Operating Activities	28,746	35,416	(23,682)	1,177
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES				
Interest received	4,333	4,078	813	906
Net increase in amount due from subsidiaries	-	-	(7,900)	(34,880)
Property, plant and equipment:				
Proceeds from disposal β	294	172	25	73
Purchase*	(1,883)	(2,571)	(54)	(716)
Purchase of intangible assets	-	(1,404)	-	-
Investment in subsidiary	-	-	-	(275)
Compensation from/(Additions in) investment in associates	17,087	(246,381)	17,087	(246,381)
Dividend received from subsidiaries	-	-	26,830	44,926
Dividend received from associates	15,180	408	15,180	408
Available-for-sale financial assets:				
Purchase	(63,500)	(110,163)	(48,000)	(94,163)
Proceeds from redemption	59,196	290,360	50,196	281,670
Withdrawals/(Placement) of deposits pledged as security	117,252	(117,242)	117,252	(121,020)
Derease in deposits pledged as security	5,229	-	5,229	-
Decrease in proceeds deposited into a designated bank account	-	10,162	-	-
Net cash inflow from the disposal of a subsidiary (Note 46)	-	152,229	-	218,774
Net Cash From/(Used In) Investing Activities	153,188	(20,352)	176,658	49,322

	Note	The Group 2017 RM'000	The Group 2016 RM'000	The Company 2017 RM'000	The Company 2016 RM'000
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES					
Interest paid		(22,699)	(29,121)	(1,492)	(2,108)
Dividends paid		(72,570)	(96,759)	(72,570)	(96,759)
Dividends paid by a subsidiary to non-controlling interests		(16,170)	(19,404)	-	-
Repayments of borrowings		(70,000)	(28,311)	(70,000)	(24,000)
Drawdowns of borrowings		-	103,608	-	94,000
Proceeds from issuance of ordinary shares in a subsidiary to non-controlling interests		-	200	-	-
Repayment of finance lease payables		(216)	(357)	(31)	(186)
Net Cash Used In Financing Activities		(181,655)	(70,144)	(144,093)	(29,053)
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS		279	(55,080)	8,883	21,446
Effects of foreign exchange rate changes		(2,365)	10,718	(2,365)	15,651
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR		113,576	157,938	43,390	6,293
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	26	111,490	113,576	49,908	43,390

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

* During the financial year, the Group and Company purchased property, plant and equipment through the following arrangement:

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Payment by cash	1,883	2,571	54	716
Consideration recorded in other payables	158	-	158	-
Total (Note 16)	2,041	2,571	212	716

β During the financial year, the Group and Company disposed property, plant and equipment through the following arrangements:

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Consideration received by cash	294	172	25	73
Consideration recorded in other receivables	302	-	302	-
Total	596	172	327	73

The accompanying Notes form an integral part of the financial statements.

1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Main Market of Bursa Malaysia Securities Berhad.

The principal activities of the Company are investment holding, provision of contracting, project and management services.

The information on the name, place of incorporation, principal activities and percentage of issued share capital held by the holding company in each subsidiary is as disclosed in Note 19.

The registered office of the Company is located at Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia.

The principal place of business of the Company is located at Level 19, Menara LGB, No. 1, Jalan Wan Kadir, Taman Tun Dr. Ismail, 60000 Kuala Lumpur, Malaysia.

The financial statements of the Group and of the Company were authorised by the Board of Directors for issuance in accordance with a resolution of the directors on 29 March 2018.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 2016 in Malaysia.

Adoption of new and revised MFRSs

In the current financial year, the Group and the Company adopted all the revised MFRSs and amendments to MFRSs issued by the Malaysian Accounting Standards Board ("MASB") that are effective for annual financial periods beginning on or after 1 January 2017 as follows:

Amendments to MFRS 107	Disclosure Initiative
Amendments to MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to MFRSs 2014 – 2016 Cycle	

The adoption of these revised MFRSs and amendments to MFRSs did not result in significant changes in the accounting policies of the Group and of the Company and had no significant effect on the financial performance or position of the Group and of the Company except for the below:

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

Amendments to MFRS 107 Disclosure Initiative

The Group and the Company have applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes.

The Group's and the Company's liabilities arising from financing activities consist of borrowings (Note 36). A reconciliation between the opening and closing balances of these items is provided in Note 36(d). Consistent with the transition provisions of the amendments, the Group and the Company have not disclosed comparative information for the prior period. Apart from the additional disclosure in Note 36, the application of these amendments has had no impact on the Group's and the Company's financial statements.

MFRSs, Amendments to MFRSs and IC Interpretations in issue but not yet effective

At the date of authorisation for issue of these financial statements, the new and revised MFRSs, amendments to MFRSs and IC Interpretations which were in issue but not yet effective and not early adopted by the Group and the Company are as listed below:

MFRS 9	Financial Instruments (IFRS 9 issued by IASB in July 2014)[1]
MFRS 15	Revenue from Contract with Customers (and the related Clarifications)[2]
MFRS 16	Leases[3]
MFRS 17	Insurance Contracts[4]
Amendments to MFRS 2	Clarification and Measurement of Share-based Payment Transactions[2]
Amendments to MFRS 4	Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts[2]
Amendments to MFRS 9	Prepayment Features with Negative Compensation[3]
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to MFRS 119	Plan Amendments, Curtailment or Settlement[3]
Amendments to MFRS 128	Long-term Interests in Associates and Joint Ventures[3]
Amendments to MFRS 140	Transfers of Investment Property[2]
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration[2]
IC Interpretation 23	Uncertainty over Income Tax Payments[3]

Annual Improvements to MFRSs 2014 - 2016 Cycle[2]
Annual Improvements to MFRSs 2015-2017 Cycle[3]

1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted. In addition, an entity may elect to early apply only the requirements for the presentation of gains and losses on financial liabilities designated at fair value through profit or loss for annual periods beginning before 1 January 2018, as stated in paragraph 7.1.2 of MFRS 9.
2 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
3 Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.
4 Effective for annual periods beginning on or after 1 January 2021, with earlier application permitted.
5 Effective date deferred to a date to be determined and announced by MASB.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

MFRSs, Amendments to MFRSs and IC Interpretations in issue but not yet effective (cont'd)

The directors anticipate that the abovementioned MFRSs, amendments to MFRSs and IC Interpretation will be adopted in the annual financial statements of the Group and of the Company when they become effective and that the adoption of these standards will have no material impact on the financial statements of the Group and of the Company in the period of initial application except as disclosed below:

MFRS 9 Financial Instruments

MFRS 9 (IFRS 9 issued by IASB in November 2009) introduced new requirements for the classification and measurement of financial assets. MFRS 9 (IFRS 9 issued by IASB in October 2010) includes requirements for the classification and measurement of financial liabilities and for de-recognition, and in November 2013, the new requirements for general hedge accounting was issued by MASB. Another revised version of MFRS 9 was issued by MASB - MFRS 9 (IFRS 9 issued by IASB in July 2014) mainly to include (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' ("FVTOCI") measurement category for certain simple debt instruments.

Key requirements of MFRS 9:

(a) All recognised financial assets that are within the scope of MFRS 139 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under MFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

(b) With regard to the measurement of financial liabilities designated as at fair value through profit or loss, MFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under MFRS 139, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

MFRS 9 Financial Instruments (cont'd)

Key requirements of MFRS 9 (cont'd):

(c) In relation to the impairment of financial assets, MFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under MFRS 139. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

(d) The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in MFRS 139. Under MFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Based on an analysis of the Group's financial assets and financial liabilities as of 31 December 2017 on the basis of the facts and circumstances that exist at that date, the directors of the Company have assessed the impact of MFRS 9 to the Group's consolidated financial statements as follows:

Classification and Measurement

- Investment in quoted unit trust were previously classified as available-for-sale investments carried at fair value. Gains and losses arising from changes in fair value were recognised in other comprehensive income and accumulated in the available-for-sale reserve. Upon the disposal of investment, the cumulative gain or loss previously recorded in the available-for-sale reserve were recycled to profit or loss. In accordance with MFRS 9, the investments did not fulfill the Solely Payment of Principal and Interest ("SPPI") test and as such, they will be measured at fair value through profit or loss ("FVTPL"); and

- All other financial assets and financial liabilities will continue to be measured on the same bases as is currently adopted under MFRS 139.

Impairment

Financial assets measured at amortised cost under MFRS 9 and contract assets under MFRS 15 will be subject to the impairment provisions of MFRS 9. Meanwhile, the equity investments carried at FVTOCI are outside the scope of impairment provisions of MFRS 9.

The Group expects to apply the simplified approach to recognise lifetime expected credit losses for its financial assets measured at amortised cost and contract assets under MFRS 15.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

MFRS 9 Financial Instruments (cont'd)

Key requirements of MFRS 9 (cont'd):

Impairment (cont'd)

In general, the directors anticipate that the application of the expected credit losses model of MFRS 9 will result in earlier recognition of credit losses for the respective items and based on the preliminary assessment, the amount is immaterial except for the trade receivables of SWM Environment Holdings Sdn. Bhd. ("SWMH"), an associate of the Company, in which the quantitative impact and estimates are still under SWMH's assessment as at the audit report date. Shall quantitative estimates are made known, there will be an adjustment to reduce the retained earnings of the Group as of 1 January 2017, the first comparative year of initial application of MFRS 9.

MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 Revenue, MFRS 111 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

(a) Step 1: Identify the contract(s) with a customer.
(b) Step 2: Identify the performance obligations in the contract.
(c) Step 3: Determine the transaction price.
(d) Step 4: Allocate the transaction price to the performance obligations in the contract.
(e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in MFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by MFRS 15.

In June 2016, the MASB issued Clarifications to MFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors have specifically considered MFRS 15's guidance on contract modifications arising from variation orders, identifying performance obligations, and the assessment of whether there is a significant financing component in the contracts, particularly taking into account the reason for the difference in timing between the transfer of control of services to the customer and the timing of the related payments.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

MFRS 15 Revenue from Contracts with Customers (cont'd)

The directors have performed preliminary assessment on the following for its MFRS 15 adoption:

(a) *The proposed development of Langat 2 water treatment plant and water reticulation system in Selangor and Wilayah Persekutuan Kuala Lumpur* ***("Langat 2 - Package 7 Balancing Reservoir Project")***

The Group has performed preliminary assessment that the sectional completion indicated in the contract represents a separate performance obligation for each section and accordingly, revenue will be recognised for each of these performance obligations when control over the corresponding services is transferred to the customer.

Based on the preliminary assessment of the above, the Group estimates that the impact of the revenue allocation to each section and timing of recognition of revenue and associated costs to fulfil the contract will not be significantly different from that currently determined.

(b) *The proposed construction and completion of the Ganchong water treatment works, main distribution pipeline, booster pump stations and associated works in Pekan, Pahang Darul Makmur* ***("Ganchong-Package 3A Project")***

The Group received an upfront payment from the customer. To determine whether there is a significant financing component in the contract, the directors consider the nature of the service being offered and the purpose of the payment terms. The Group received a single upfront amount, not with the primary purpose of obtaining financing from the customer but, instead, to manage the risks associated with providing the service. Arising thereof, the transaction price of this project would not be adjusted.

In general, the directors have assessed that revenue from construction contracts should be recognised over time as the construction services performed does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date and that the customer control the assets during the course of construction by the Group. Furthermore, the directors consider that the input method currently used to measure the progress towards complete satisfaction of these performance obligations will continue to be appropriate under MFRS 15.

The directors intend to use the full retrospective method of transition to MFRS 15. Apart from providing more extensive disclosures on the Group's revenue transactions, the directors do not anticipate that the application of MFRS 15 will have a significant impact on the financial position and/or financial performance of the Group except that as disclosed above.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

MFRS 16 Leases

MFRS 16 specifies how a MFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with MFRS 16's approach to lessor accounting substantially unchanged from its predecessor, MFRS 117.

At lease commencement, a lessee will recognise a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly and the liability accrues interest. The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessees shall use their incremental borrowing rate.

The directors do not anticipate that the application of the amendment to have a material impact on the amount reported and disclosures made in these financial statements. However, it is not practicable to provide a reasonable estimate of the effect of MFRS 16 until the Group and the Company complete a detailed review.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Group and of the Company have been prepared on the basis of historical cost, except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of MFRS 2, leasing transactions that are within the scope of MFRS 117, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in MFRS 102 or value in use in MFRS 136.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Basis of Accounting (cont'd)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Basis of Consolidation (cont'd)

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group losses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (a) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (b) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income are accounted for as if the Group had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 139 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or joint venture.

Subsidiaries

Investments in subsidiaries which are eliminated on consolidation are stated at cost less impairment losses, if any, in the Company's separate financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Business Combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At acquisition date, the identifiable assets acquired and liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with MFRS 112 Income Taxes and MFRS 119 Employee Benefits respectively;

- liabilities or equity instruments related to the share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with MFRS 2 Share-based Payment at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with MFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another Standard.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Business Combinations (cont'd)

The subsequent accounting for changes in the fair value of contingent consideration that do not qualify as measured period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is re-measured at subsequent reporting dates in accordance with MFRS 137 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interests in the acquiree are re-measured to fair value at the acquisition date (i.e. the date when the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, when such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised at that date.

Investments in Associates and Joint Venture

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associate or joint venture are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with MFRS 5. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interest that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its shares of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Investments in Associates and Joint Venture (cont'd)

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the costs of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of MFRS 139 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with MFRS 136 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with MFRS 136 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with MFRS 139. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture.

In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no re-measurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Company continues to use the equity method, the Group classifies to profit or loss the proportion of the gain or loss that had previously been recognised in the other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Investments in Associates and Joint Venture (cont'd)

When a group entity transacts with an associate or joint venture of the Group, profit or losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of the Group's interest in the associate or joint venture that are not related to the Group.

Revenue Recognition

Revenue comprises the fair value of the consideration received or receivable for the rendering of services in the ordinary course of business of the Group's activities. Revenue is shown net of discounts, discounting and appropriate taxes, and after eliminating billings within the Group. The Group recognises revenue when the amount of revenue can be reliably measured and it is probable that future economic benefits associated with the transactions will flow to the Group.

Revenue from rendering of services relating to construction contracts is accounted for under the percentage of completion method.

Toll revenue is accounted for as and when toll is chargeable for the usage of the highway.

Dividend income is recognised when the Group's right to receive payment is established.

Management fees are recognised on an accrual basis.

Interest income is recognised using the effective interest method.

Deferred Income

Deferred income comprises the following:

(i) Fees received by a subsidiary from third parties for the use of ancillary facilities along the Cheras-Kajang Highway, which is recognised in profit or loss on a straight-line basis over the concession period; and

(ii) Government compensation received by a subsidiary as a result of changes made to the terms and conditions of the Concession Agreement in respect of the Cheras-Kajang Highway. Government compensation is initially recognised in the statement of financial position at the fair value of consideration received. Government compensation is subsequently recognised to profit or loss on a systematic basis over the concession period in which it was intended to compensate.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Government Grant

Government grant is recognised initially as deferred income when there is reasonable assurance that it will be received and that the Group will comply with the conditions associated with the grant. Grants that compensate the Group for the expenses incurred are recognised in profit or loss over the year necessary to match them with the related costs that they are intended to compensate. Grants that compensate the Group for the cost of an asset are recognised in profit or loss over the useful life of the asset.

Foreign Currency

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the transaction dates. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Differences arising in the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk are recognised in other comprehensive income.

Employee Benefits

(i) Short-term employee benefits

Wages, salaries, bonuses, social security contributions, paid annual leave and sick leave, are accrued and recognised as an expense in the year in which the associated services are rendered by employees of the Group.

(ii) Defined contribution plan

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity (a fund) and has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current or prior periods.

As required by law, companies in Malaysia make contributions to the statutory pension scheme, the Employees Provident Fund ("EPF").

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Taxation

Income tax expense for the year comprises current and deferred tax.

Current tax

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted or substantively enacted by the end of the reporting period. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or recoverable).

Deferred tax

Deferred tax is accounted for, using the "liability" method, on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or from the initial recognition of assets or liabilities in a transaction which is not a business combination and at the time of the transaction, affects neither the accounting profit nor taxable profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Taxation (cont'd)

Deferred tax (cont'd)

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group and the Company expect, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is charged or credited to the profit or loss, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly to equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when they relate to income taxes by same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the property, plant and equipment. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is de-recognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Freehold land is not depreciated as it has an infinite life.

Depreciation of other property, plant and equipment is computed based on a straight line method to allocate the cost of the assets, to their residual values over their estimated useful lives, summarised as follows:

Buildings	50 years
Plant and machinery	5 to 20 years
Mechanical and electrical	5 years
Office equipment, furniture and fittings	3 to 10 years
Motor vehicles	5 to 7 years
Building renovations	5 years
Toll equipment	10 years
Highway-operation equipment	5 to 10 years

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Property, Plant and Equipment (cont'd)

Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at the end of each reporting period.

At the end of each reporting period, the Group assesses whether there is any indication of impairment. If such indications exist, the carrying amount of the asset is assessed and written down immediately to its recoverable amount.

Gain or losses on disposals are determined by comparing net disposal proceeds with carrying amount and are recognised in profit or loss.

Assets Acquired Under Leases

Leases of property, plant and equipment where the Group assumes substantially all the benefits and risks of ownership are classified as finance leases. All other leases are classified as operating leases.

Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased assets and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges to achieve a periodic constant rate of interest on the balance outstanding. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance charge is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

All other property, plant and equipment acquired under finance leases are depreciated over the estimated useful life on the same basis as owned assets.

Investment Properties

Investment properties, comprising buildings, are held for long-term rental yields or for capital appreciation or both, and are not occupied by the Group.

Investment properties are stated at cost less any accumulated depreciation and impairment losses. Investment properties are depreciated on the straight line basis to write off the cost of the assets over their estimated useful lives.

On disposal of an investment property, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal, it shall be de-recognised. The difference between the net disposal proceeds and the carrying amount is taken to profit or loss in the period of the retirement or disposal.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Intangible Assets

Intangible assets comprising concession rights under the intangible asset model, as defined in IC Interpretation 12, are stated at cost less accumulated amortisation and impairment losses.

The intangible asset model, as defined in IC Interpretation 12, applies to service concession arrangements where the grantor has not provided a contractual guarantee in respect of the amount receivable for constructing and operating the asset. Under this model, during the construction or upgrade phase, the Group records an intangible asset representing the right to charge users of the public service and recognised profits from the construction or upgrade of the public service infrastructure. Income and expenses associated with construction contracts are recognised in accordance with MFRS 111 Construction Contracts.

Borrowing costs incurred in connection with an arrangement falling within the scope of IC Interpretation 12 will be expensed as incurred, unless the Group recognises an intangible asset under the Interpretation. In this case, borrowing costs are capitalised in accordance with the general rules of MFRS 123 Borrowing Costs.

Following the adoption of Amendments of MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation on 1 January 2016, the Group has adopted prospectively the traffic volume method for amortisation of its intangible assets, comprising the cost of its highway development expenditure based on the following formula:

$$\frac{\text{Cumulative traffic volume from 1.1.2016}}{\text{Cumulative traffic volume from 1.1.2016 plus projected traffic volume till end of concession}} \times \text{Opening Net Book Value as of 1.1.2016 plus Additions to-date}$$

At the end of each reporting period, the Group assesses whether there is any indication of impairment. If such indication exists, the carrying amount is assessed and written down immediately to its recoverable amount.

Impairment of Tangible and Intangible Assets Other Than Goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Impairment of Tangible and Intangible Assets Other Than Goodwill (cont'd)

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Inventories

Inventories are stated at the lower of cost and net realisable value.

Costs of consumable spares are determined using the weighted average method and comprise the original cost of purchase plus the cost of bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the selling expenses.

Construction Contracts

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised over the period of the contract as revenue and expenses respectively. The Group uses the percentage of completion method to determine the appropriate amount of revenue and costs to recognise in a given period; the stage of completion is measured by reference to the proportion of the contract costs incurred for work performed to date compared to the estimated total contract costs.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that is probable will be recoverable; contract costs are recognised as an expense in the period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Construction Contracts (cont'd)

Irrespective whether the outcome of a construction contract can be estimated reliably, when it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

The aggregate of the costs incurred and the attributable profit or loss recognised on each contract is compared against the progress billings up to the financial year end. When costs incurred plus attributable profits (less foreseeable losses, if any), exceed progress billings, the balance is shown as amounts due from customers on construction contracts under receivables (within current assets). Where progress billings exceed costs incurred plus attributable profits (less foreseeable losses, if any), the balance is shown as amounts due to customers on construction contracts under payables (within current liabilities).

Provisions

Provisions are recognised when the Group and the Company have a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount of the obligation can be made. Provisions are measured at the directors' best estimate of the amount required to settle the obligation by the end of the reporting period, and are discounted to present value where the effect is material.

At the end of each reporting period, provisions are reviewed by the directors and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that the Group and the Company will be required to settle the obligation.

Financial Instruments

Financial assets and liabilities are recognised when, and only when, the Group and the Company become a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of the financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs that are directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial Assets

Financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss" ("FVTPL"), "held-to-maturity" investments, "available-for-sale" ("AFS") financial assets and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and de-recognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Assets (cont'd)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and MFRS 139 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Assets (cont'd)

Financial assets at FVTPL (cont'd)

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item in the statements of profit or loss and other comprehensive income.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group and the Company have the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment.

AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at FVTPL. All AFS assets are measured at fair value at the end of the reporting period. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the available-for-sale reserve, with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the available-for-sale reserve is reclassified to profit or loss.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of the reporting period.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's and the Company right to receive the dividend are established.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Assets (cont'd)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Assets (cont'd)

Impairment of financial assets (cont'd)

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of a provision account. When a trade receivable is considered uncollectible, it is written off against the provision account. Subsequent recoveries of amounts previously written off are credited against the provision account. Changes in the carrying amount of the provision account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of available-for-sale reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

De-recognition of financial assets

The Group and the Company de-recognise a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group and the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group and the Company recognise its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group and the Company retain substantially all the risks and rewards of ownership of a transferred financial asset, the Group and the Company continue to recognise the financial asset and also recognise a collateral borrowing for the proceeds received.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Assets (cont'd)

De-recognition of financial assets (cont'd)

On de-recognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Financial Liabilities and Equity Instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group and the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities are classified as either financial liabilities "at FVTPL" or "other financial liabilities".

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group and the Company manage together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Liabilities and Equity Instruments (cont'd)

Financial liabilities at FVTPL (cont'd)

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's and the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and MFRS 139 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the statements of profit or loss and other comprehensive income.

Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

De-recognition of financial liabilities

The Group and the Company de-recognise financial liabilities when, and only when, the Group's and the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability de-recognised and the consideration paid or payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Statements of Cash Flows

The Group and the Company adopt the indirect method in the preparation of the statements of cash flows.

Cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments, that are readily convertible to cash with insignificant risk of changes in value, net of outstanding bank overdrafts that form an integral part of the Group's and the Company's cash management. Bank overdrafts are shown within borrowings in current liabilities in the statements of financial position.

For the purpose of the statements of cash flows, cash and cash equivalents are presented net of pledged deposits.

Cash and cash equivalents (other than bank overdrafts) are categorised and measured as loans and receivables.

Segment Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed by the chief operating decision maker, which is the Executive Committee, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Contingent Liabilities

The Group does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation or a sufficiently reliable estimate of the amount of the obligation cannot be made.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

(i) Critical judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, which are described in Note 3 above, the directors are of the opinion that there are no instances of application of judgement which are expected to have significant effect on the amounts recognised in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

(ii) Key sources of estimation uncertainty

The directors believe that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year except as disclosed below:

(a) Impairment of Intangible Assets

Determining whether the intangible assets are impaired requires an estimation of the recoverable amount of the intangible assets. The recoverable amount is determined based on the estimation of the present value of future cash flows expected to be generated. The key bases and assumptions used in the estimation of the recoverable amount are disclosed in Note 23.

The directors are of the opinion that the bases and assumptions used in the estimation of the recoverable amounts are reasonable.

(b) Impairment of Goodwill on Consolidation

The Group reviews the carrying amount of goodwill on consolidation annually by comparing to the recoverable amount of the cash generating unit to determine whether there is impairment. The recoverable amount is determined based on an estimation of the present value of future cash flows expected to be generated. The key bases and assumptions used in the estimation of the recoverable amount are disclosed in Note 23.

The directors are of the opinion that the bases and assumptions used in the estimation of the recoverable amounts are reasonable.

(c) Amortisation of Highway Development Expenditure ("HDE")

The cost of HDE is amortised over the concession period by applying the formula as disclosed in Note 3. The denominator of the formula includes projected total traffic volume for subsequent financial years to 2045 and is based on the initial base case traffic volume projections prepared by independent traffic consultants, which is updated by management annually. The assumptions to arrive at the traffic volume projections take into consideration the growth rates based on current market and economic conditions. Changes in the expected traffic volume could impact future amortisation charges.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

(ii) Key sources of estimation uncertainty (cont'd)

(d) Provision for Heavy Repairs

Heavy repairs of highway are provided based on annual independent pavement assessment condition that estimates the future requirements for pavement resurfacing, and management estimates of incidental costs, discounted to present value. Changes to the expected level of usage and technological developments could impact future requirements for heavy repairs, and therefore, the provision could be revised.

During current financial year, an indirect subsidiary of the Company, deferred the major heavy repairs on the Cheras-Kajang Highway ("Highway") scheduled in year 2018 to year 2021. In 2014, a material portion of the Highway pavement was handed over to MRT Corporation for the construction of the Kuala Lumpur to Kajang portion of the Klang Valley Mass Rapid Transit Line 1 ("KVMRT"). Upon completion of the KVMRT project works during the current financial year, MRT Corporation had undertaken substantial pavement repair works covering a material portion of the highway mainline, including road marking works as part of its contractual commitments.

As such, based on the management's assessment of the pavement condition during the current financial year, the Group deferred the major heavy repairs as indicated above. The deferment has resulted in the recognition of an overprovision of heavy repairs of approximately RM6,152,000 as disclosed in Note 7.

(e) Impairment of Investment in Subsidiaries

The Company reviews the carrying amount of investment in subsidiaries. The recoverable amount of the investment in subsidiaries has been determined on the basis of its value in use.

(f) Taxation

Significant judgement is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for tax based on estimates of assessment of the tax liability due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions, where applicable, in the period in which such determination is made.

(g) Deferred Tax Assets

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

(ii) Key sources of estimation uncertainty (cont'd)

(h) Construction Contracts

The Group recognises contract revenue and cost based on percentage of completion method. The stage of completion is measured by reference to the contract costs incurred for work performed to date bear to the estimated total contract costs. Significant judgement is required in determining the stage of completion, the extent of the contract costs incurred, the estimated total contract revenue (for contracts other than fixed price contracts) and contract costs, as well as the recoverability of the contracts. Total contract revenue also includes an estimation of the recoverable variation works that are recoverable from the customers. In making these judgements, the Group relies on past experience.

(i) Trade Receivables and Revenue Recognition

Revenue is measured at fair value of the consideration received and receivable. The Group has made an estimate on the timing of repayment for trade receivable based on past payment trend.

Of the total amount of the Group's trade receivables amounting to RM501,291,000 (2016: RM430,253,000), RM485,052,000 (2016: RM422,761,000) is concentrated in two customers. Disclosure of the critical estimates made to the carrying amount of these receivables is set out in Note 25.

(j) Equity accounting in SWM Environment Holdings Sdn. Bhd. ("SWMH")

The acquisition of SWMH was completed on 17 May 2016 and thereafter, SWMH became a 35% associate of the Company as disclosed in Note 46.

Under MFRS 128 Investment in Associates and Joint Ventures, the results of SWMH is incorporated in the consolidated financial statements of the Group using the equity method of accounting. In arriving at the Group's share of the results in the associate, appropriate adjustments are required to be made to reflect the fair value of the identifiable assets and liabilities recognised at the acquisition date and subsequent recognition of income and expenses in respect of these assets and liabilities. These adjustments involve significant estimates by the associate, especially the amortisation of intangible asset arising from concession rights using a volume method.

The carrying amount of intangible asset is amortised over the concession period by applying the following formula:

$$\frac{\text{Actual inventory volume for the year}}{\text{Actual inventory volume for the year plus projected inventory volume till end of concession}} \times \text{Carrying amount of intangible asset, net off impairment losses, if any}$$

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

(ii) Key sources of estimation uncertainty (cont'd)

(j) Equity accounting in SWM Environment Holdings Sdn. Bhd. ("SWMH") (cont'd)

The denominator of the formula includes projected inventory volume for subsequent financial years to the end of the concession in year 2033 and is based on the initial base actual inventory volume adopted in the billings to the local councils for the month of April 2015, which is updated by the associate annually. The assumptions to arrive at the inventory volume projections take into consideration the growth rates adopted by the associate. The inventory growth rates which apply to both solid waste collection services and public cleansing management services is derived upon consideration of the projected growth in residential and commercial premises and public infrastructure in the southern region of Peninsular Malaysia as well as historical growth rate of the inventory volume. Changes in the expected inventory volume could impact future amortisation charges.

5. SEGMENT REPORTING

The Group has determined the operating segments based on the reports reviewed by the chief operating decision maker which is the Executive Committee entrusted to make decisions and performance review:

Water	Management, operations and maintenance of water treatment plants and water distribution systems.
Waste management*	Solid waste collection and public cleansing management and other related activities.
Construction	Provision of contracting, project and management services relating to construction contracts.
Toll highway	Provision of operation and maintenance of toll highway.
Others	Investment holding and other non core businesses other than the above.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3. The revenue and profit performance represent the Group's proportionate share of interest in each of the subsidiaries (instead of full consolidation) and includes a proportionate share of the interest of joint ventures or associates (instead of being equity accounted). The total is then reconciled to the revenue and profit performance in the statements of profit or loss and other comprehensive income. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

* Prior year's segment reporting had been restated to confirm with current year's presentation.

5. SEGMENT REPORTING

Segment revenues and results

The following is an analysis of the Group's revenue and results from continuing operations by reportable segment:

	Water		Construction		Toll highway		Waste management		Others		Total		Reconciliation		Amount as per statement of comprehensive income	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Revenue	232,221	231,828	55,038	39,678	63,722	65,210	300,820	193,699	5,315	3,047	657,116	533,462	(288,476)	(228,606)	368,640	304,856
EBITDA(i)	88,074	95,223	3,226	3,275	55,302	51,921	136,953	88,307	(16,978)	5,169	266,577	243,895	(165,617)	(113,014)	100,960	130,881
Depreciation and amortisation	(954)	(903)	(377)	(673)	(22,003)	(22,863)	(37,016)	(21,658)	(1,815)	(2,290)	(62,165)	(48,387)	29,583	13,004	(32,582)	(35,383)
Operating profit/(loss)	87,120	94,320	2,849	2,602	33,299	29,058	99,937	66,649	(18,793)	2,879	204,412	195,508	(136,034)	(100,010)	68,378	95,498
Finance costs	(69)	(15)	(14)	(26)	(14,693)	(14,693)	(30,195)	(19,179)	(1,492)	(2,103)	(46,463)	(36,016)	23,879	12,864	(22,584)	(23,152)
Share of results of joint venture	-	-	-	-	-	-	-	-	-	-	-	-	2,748	318	2,748	318
Share of results of associates	-	-	-	-	-	-	-	-	-	-	-	-	1,185	12,238	1,185	12,238
Profit/(Loss) before tax	87,051	94,305	2,835	2,576	18,606	14,365	69,742	47,470	(20,285)	776	157,949	159,492	(108,222)	(74,590)	49,727	84,902
Income tax (expense)/income	(9,023)	(6,687)	(412)	(306)	(814)	6,123	(17,794)	(10,116)	-	-	(28,043)	(10,986)	20,396	19,377	(7,647)	8,391
Profit/(Loss) for the year from continuing operations	78,028	87,618	2,423	2,270	17,792	20,488	51,948	37,354	(20,285)	776	129,906	148,506	(87,826)	(55,213)	42,080	93,293
EBDA(ii)	78,982	88,521	2,800	2,943	39,795	43,351	88,964	59,012	(18,470)	3,066	192,071	196,893	(117,409)	(68,217)	74,662	128,676

5. SEGMENT REPORTING (CONT'D)

Segment revenues and results (cont'd)

The following is an analysis of the Group's revenue and results from continuing operations by reportable segment (cont'd):

	Water		Construction		Toll highway		Waste management		Others		Total		Reconciliation		Amount as per statement of comprehensive income	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Capex(iii)	525	906	56	622	999	489	10,124	1,436	212	716	11,916	4,169	(9,875)	(1,598)	2,041	2,571

(i) EBITDA is defined as earnings before finance costs, taxation, depreciation and amortisation (and excludes share of results of associates and joint venture).
(ii) EBDA is defined as earnings before depreciation and amortisation.
(iii) Capex is defined as capital expenditure based on the Group's proportionate share on capital expenditure incurred for the year.

Notes

1. The Group monitors the performance of its business by four main business divisions namely water, construction, toll operations and waste management. Others refer to investment holding and other non core businesses.
2. The segmental information on the water division excluded a total provision of RM51,488,000 (2016: RM49,458,000) which was charged to profit, comprising a provision for discounting on a deferred payment consideration, amounting to RM6,232,000 (2016: RM62,318,000) which was set-off against revenue; and a provision for discounting of receivables of RM45,256,000 recognised as other expense (2016: a reversal of discounting of receivables of RM12,860,000 recognised as other operating income).
3. The segmental information on the waste management division excluded the fair value measurement adjustments made at the Group level. This is to better assess the operational performance of the division. The segmental results (including the calculation of the EBITDA and EBDA), are solely from the concession business, before proportionate deduction of the dividend on the cumulative preferences shares held by parties other than the Group. The comparatives represent the results of operation from 17 May 2016 (the date of completion of the SWMH Acquisition as disclosed in Note 46) to 31 December 2016.
4. The addition of property, plant and equipment consists of:

	The Group	
	2017 RM'000	2016 RM'000
Capex from continuing operations	2,041	2,453
Capex from discontinued operations	-	118
Addition of property, plant and equipment (Note 16)	2,041	2,571

5. SEGMENT REPORTING (CONT'D)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities:

As of 31 December	Water 2017 RM'000	Water 2016 RM'000	Construction 2017 RM'000	Construction 2016 RM'000	Toll highway 2017 RM'000	Toll highway 2016 RM'000	Waste management 2017 RM'000	Waste management 2016 RM'000	Others 2017 RM'000	Others 2016 RM'000	Total 2017 RM'000	Total 2016 RM'000
Segment assets	556,063	485,416	51,584	45,539	1,465,801	1,488,781	221,492	242,294	76,780	194,009	2,371,720	2,456,039
Segment liabilities	(136,896)	(89,071)	(34,096)	(30,266)	(836,466)	(856,695)	-	-	(36,392)	(81,765)	(1,043,850)	(1,057,797)
Net segment assets	419,167	396,345	17,488	15,273	629,335	632,086	221,492	242,294	40,388	112,244	1,327,870	1,398,242

Geographical segments

The Group earns revenue from external customers in two main geographical areas:

(i) Malaysia* - Water, construction, toll highway and waste management.

(ii) People's Republic of China - Waste management, water treatment equipment and provision of related services, and revenue recognised under IC Interpretation 12 (prior to the completion of the Disposal of Foreign Operations as disclosed in Note 46).

* The Company's home country.

5. SEGMENT REPORTING (CONT'D)

Geographical segments (cont'd)

The following is an analysis of the Group's revenue by geographical areas:

	Revenue	
	2017	**2016**
	RM'000	**RM'000**
Malaysia (Note 6)	368,640	304,856
People's Republic of China (Note 14)	-	27,562
	368,640	332,418

6. REVENUE

The following is an analysis of the Group's and the Company's revenue for the year from continuing operations.

	The Group		The Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Management, operation and maintenance of water treatment plants ^	225,989	169,511	-	-
Toll revenue and operator fee	68,967	65,843	-	-
Revenue from construction contracts	51,740	39,626	14,333	7,359
Deferred income (Note 39)	16,640	17,289	-	-
Management fees (Note 44)	5,264	3,047	13,547	11,330
Government compensation	40	9,540	-	-
Dividend from subsidiaries and associates (Note 44)	-	-	30,810	60,034
	368,640	304,856	58,690	78,723

^ The Group reviews the consideration received or receivable on its current year's invoiced amount based on the estimation of the timing of payment from trade receivables. During the financial year, a provision for discounting on a deferred payment consideration of RM6,232,000 (2016: RM62,318,000) pertaining to current year's invoices has been recognised and net-off against revenue from management, operation and maintenance of water treatment plant.

7. COST OF OPERATIONS

The following is an analysis of the Group's and the Company's cost of operations for the year from continuing operations.

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Contract costs recognised	45,333	35,160	14,181	7,180
Amortisation of intangible assets (Note 18)	26,181	27,074	-	-
Provision for heavy repairs (Note 38):				
Current year	3,049	4,115	-	-
Overprovision in prior year	(6,152)	-	-	-
Depreciation of property, plant and equipment (Note 16)	2,626	3,818	-	-
Lease rental of waterwork assets	150	150	-	-
Hire of plant and machinery	70	39	-	-

8. OTHER OPERATING INCOME

The following is an analysis of the Group's and the Company's other operating income for the year from continuing operations.

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Interest income on fixed deposits with licensed banks	4,146	3,842	813	1,076
Available-for-sale financial assets:				
Dividend income	1,925	3,970	168	1,914
Gain on redemption	43	471	29	466
Rental income	553	640	737	684
Gain on disposal of property, plant and equipment	231	172	17	73
Recognition of rental and maintenance fee (Note 39)	67	67	-	-
Reversal of impairment on investment in subsidiaries (Note 19)	-	-	-	63
Realised gain on foreign exchange	-	2,682	-	2,682
Unrealised gain on foreign exchange	-	15,651	-	-
Reversal of discounting of receivables (Note 25)	-	12,860	-	-
Interest income imputed in retention sums (Note 37)	-	160	-	-

9. ADMINISTRATIVE AND OTHER EXPENSES

The following is an analysis of the Group's and the Company's administrative and other expenses for the year from continuing operations.

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Provision for discounting of receivables (Note 25)	45,256	-	-	-
Realised loss on foreign exchange	5,364	373	5,364	-
Depreciation of property, plant and equipment (Note 16)	3,768	4,484	1,842	2,476
Rental of:				
Premises	3,067	2,804	1,348	1,366
Others	120	119	58	67
Unrealised loss on foreign exchange	2,365	312	2,365	3,056
Auditors' remuneration of:				
Statutory audit	313	327	95	105
Other services β	125	114	89	29
Interest expense imputed in borrowing (Note 36)	548	550	-	-
Write off of:				
Property, plant and equipment	56	9	-	-
Amount owing from subsidiary	-	-	3	6
Depreciation of investment properties (Note 17)	7	7	7	7
Loss on disposal of subsidiaries (Note 46)	-	-	-	72,841
Loss on redemption of available-for-sale financial assets	-	3	-	-
Reversal of interest income imputed in retention sums (Note 37)	460	-	-	-

β Other services included tax-related services rendered to the Group and the Company amounting to RM55,000 and RM19,000 (2016: RM114,000 and RM29,000) respectively which were paid or payable to a firm affiliated to the Group's auditors.

10. FINANCE COSTS

The following is an analysis of the Group's and the Company's finance costs for the year from continuing operations.

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Interest expense:				
Borrowings	22,569	23,130	1,492	2,102
Finance lease	15	22	-	6
	22,584	23,152	1,492	2,108

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

11. STAFF COSTS

The following is an analysis of the Group's and the Company's staff costs for the year from continuing operations.

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Wages, salaries and bonus	32,521	32,982	8,346	9,629
Defined contribution plan	3,603	3,469	869	980
Other employee benefits	697	868	129	144
	36,821	37,319	9,344	10,753

Included in staff costs of the Group and of the Company are directors' remuneration of RM1,582,000 (2016: RM1,580,000) and RM1,554,000 (2016: RM1,552,000) respectively as further disclosed in Note 12.

Benefits in kind received by Executive Director and other members of key management of the Group and the Company are RM205,000 (2016: RM180,000) and RM116,000 (2016: RM107,000) respectively.

12. DIRECTORS' REMUNERATION

The directors of the Company in office during the financial year are as follows:

Non-executive Directors
Mr. Lim Chin Sean
Mr. Soong Chee Keong
Tan Sri Dato' Seri Ong Ka Ting
Mr. Vijay Vijendra Sethu
Dato' Sri Amrin Bin Awaluddin
Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin
Encik Ahmad Jauhari Bin Yahya

Executive Director
Dato' Lim Yew Boon

12. DIRECTORS' REMUNERATION (CONT'D)

The aggregate amount of emoluments receivable by directors of the Company during the financial year are as follows:

	The Group 2017 RM'000	The Group 2016 RM'000	The Company 2017 RM'000	The Company 2016 RM'000
Non-executive Directors:				
Fees	960	960	960	960
Other emoluments	68	77	68	77
Executive Director:				
Fees	144	144	120	120
Salaries and bonus	339	316	339	316
Defined contribution plan	40	38	40	38
Other emoluments	31	45	27	41
	1,582	1,580	1,554	1,552

13. INCOME TAX EXPENSE/(INCOME)

	The Group 2017 RM'000	The Group 2016 RM'000	The Company 2017 RM'000	The Company 2016 RM'000
Continuing operations				
Malaysian income tax:				
Current year	20,697	21,956	-	-
Under/(Over)provision in prior years	301	(1,457)	-	-
	20,998	20,499	-	-
Deferred tax (Note 24):				
Current year	(11,889)	(27,097)	-	-
Underprovision in prior years	(1,462)	(1,793)	-	-
	(13,351)	(28,890)	-	-
	7,647	(8,391)	-	-

Income tax is calculated at the Malaysian statutory tax rate of 24% (2016: 24%) of the estimated assessable profit/(loss) for the year.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

13. INCOME TAX EXPENSE/(INCOME) (CONT'D)

A reconciliation of income tax expense/(income) applicable to profit/(loss) before tax at the statutory income tax rate to income tax expense/(income) at the effective income tax rate of the Group and of the Company is as follows:

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Profit/(Loss) before tax from continuing operations	49,727	84,902	19,492	(21,278)
Taxation at statutory tax rate	11,934	20,376	4,678	(5,107)
Tax effects of:				
Non-deductible expenses	13,436	12,983	2,128	23,716
Non-taxable income	(673)	(7,405)	(7,017)	(18,887)
Tax waiver on statutory income of a non-wholly-owned indirect subsidiary @	(16,100)	(16,214)	-	-
Deferred tax assets not recognised	211	113	211	278
Effect on reversal of deferred tax liabilities arising from changes in amortisation method of intangible assets of a non-wholly-owned indirect subsidiary	-	(14,994)	-	-
Under/(Over)provision of income tax expense in prior years	301	(1,457)	-	-
Underprovision of deferred tax asset in prior years	(1,462)	(1,793)	-	-
Income tax expense/(income) recognised in profit or loss	7,647	(8,391)	-	-

@ The subsidiary has been granted tax waiver on its statutory income for a period of 10 years, from 2012 to 2021, in consideration of its agreeing to the cessation of toll collection and the discontinuance of operation of Toll Plaza Batu 9 at the Kuala Lumpur bound and Toll Plaza Batu 11 Cheras at the Kajang bound of the Cheras-Kajang Highway.

14. DISCONTINUED OPERATIONS

(a) Disposal of Foreign Operations

On 25 February 2016, the Company entered into a conditional share sale agreement ("Disposal SSA") with LGB Group (HK) Limited ("LGB HK"), a related party of the Company as disclosed in Note 44, for the disposal of the Company's entire investment in the People's Republic of China for an aggregate cash consideration of United States Dollars 54.6 million comprising:

(i) 100 ordinary shares at Hong Kong Dollar ("HKD") 100 in aggregate in Taliworks International Limited ("TIL"), a wholly-owned subsidiary of the Company, representing 100% equity interest in TIL;

(ii) 12,000,000 ordinary shares at HKD12,000,000 in aggregate in Taliworks (Sichuan) Limited ("TSL"), an 80%-owned subsidiary of the Company, representing 80% equity interest in TSL;

(iii) 100 ordinary shares of RM1.00 each in SWM Technologies (Malaysia) Sdn. Bhd. ("SWMT") and 19,000,000 redeemable non-cumulative preference shares of RM0.01 each in SWMT, a wholly-owned subsidiary of the Company, representing 100% equity interest in SWMT; and

(iv) the assignment from the Company to LGB HK of all outstanding shareholders' loans and/or shareholders' advances owing by TIL and TSL to the Company as at 25 February 2016.

(Collectively referred to as "Disposal of Foreign Operations")

The Disposal of Foreign Operations is consistent with the Group's new business strategy to focus on mature operational cash-generating utilities/infrastructure businesses to support the Company's dividend policy of distributing not less than 75% of the consolidated profit after tax (excluding exceptional items).

The Disposal of Foreign Operations was completed on 17 May 2016. Details of the assets and liabilities disposed of, and the calculation of the gain/(loss) on disposal, are disclosed in Note 46.

14. DISCONTINUED OPERATIONS (CONT'D)

(b) Analysis of profit/(loss) for the year from discontinued operations

The results of the discontinued operations included in the profit/(loss) in the previous financial year are set out below.

The Group	2016 RM'000
Profit for the year from discontinued operations	
Revenue	27,562
Cost of operations	(27,566)
Gross loss	(4)
Other operating income	2,934
Administrative and other expenses	(4,520)
Finance costs	(8,842)
Loss before tax	(10,432)
Income tax expense	(512)
	(10,944)
Gain on disposal (Note 46)	65,786
Profit for the year from discontinued operations	54,842
Profit for the year from discontinued operations attributable to:	
Owners of the Company	52,181
Non-controlling interests	2,661
	54,842

The following amounts have been included in arriving at the loss before tax of the discontinued operations:

The Group	2016 RM'000
Cost of operations	
Amortisation of intangible assets	8,528
Depreciation of property, plant and equipment	349
Contract costs recognised pursuant to IC Interpretation 12	1,083

14. DISCONTINUED OPERATIONS (CONT'D)

(b) Analysis of profit/(loss) for the year from discontinued operations (cont'd)

The following amounts have been included in arriving at the loss before tax of the discontinued operations (cont'd):

The Group	2016 RM'000
Other operating income	
Interest income on fixed deposits with licensed banks	217
Available-for-sale financial assets:	
Dividend income	2
Gain on redemption	3
Unrealised foreign exchange gain	59
Unwinding of discount on other receivables	9
Value-added tax exempted by tax authority	1,350
Recognition of government grant (Note 39)	163
Administrative and other expenses	
Auditors' remuneration:	
Statutory audit:	
Auditors of the Company	3
Other auditors	125
Depreciation of property, plant and equipment	42
Rental of:	
Premises	67
Others	131
Staff costs:	
Wages, salaries and bonus	4,746
Other employee benefits	8
Unrealised foreign exchange loss	1,779

(c) Analysis of cash flows from discontinued operations

The cash flows of the discontinued operations included in the net decrease in cash and cash equivalents in the previous financial year are set out below.

The Group	2016 RM'000
Net cash outflows from operating activities	(647)
Net cash outflows from investing activities	(861)
Net cash outflows from financing activities	(601)
Net cash outflows	(2,109)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

15. EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share ("EPS") is calculated by dividing the profit for the financial year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial year.

	The Group 2017 RM'000	The Group 2016 RM'000
Profit for the year attributable to owners of the Company	29,083	127,428
Loss for the year from discontinued operations attributable to owners of the Company (used in the calculation of basic EPS from discontinued operations)	-	(52,181)
Earnings used in the calculation of basic EPS from continuing operations	29,083	75,247
Weighted average number of ordinary shares in issue ('000)	1,209,489	1,209,489
Basic EPS (sen)		
From continuing operations	2.40	6.23
From discontinued operations	-	4.31
Total basic EPS (sen)	2.40	10.54

(b) Diluted earnings per share

Diluted earnings per share is calculated by dividing the profit for the financial year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial year adjusted for potential dilutive ordinary shares from the exercise of Warrants.

The diluted earnings per share is the same as basic earnings per share calculated above as the Warrants were excluded from the calculation of the diluted earnings per share as they were anti-dilutive as at the end of the financial year.

16. PROPERTY, PLANT AND EQUIPMENT

The Group 2017	Freehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Mechanical and electrical RM'000	Office equipment, furniture and fittings RM'000	Motor vehicles RM'000	Building renovations RM'000	Toll equipment RM'000	Highway-operation equipment RM'000	Total RM'000
Cost										
As of 1 January 2017	280	700	2,633	2,058	9,343	9,345	6,350	21,431	23	52,163
Additions	-	-	122	-	557	704	448	207	3	2,041
Disposals	-	-	-	-	(412)	(1,595)	-	-	-	(2,007)
Write offs	-	-	-	-	(17)	(163)	-	-	-	(180)
Adjustments	-	-	-	-	(5)	-	-	-	-	(5)
As of 31 December 2017	280	700	2,755	2,058	9,466	8,291	6,798	21,638	26	52,012
Accumulated depreciation										
As of 1 January 2017	-	216	2,291	1,257	7,577	5,569	3,916	10,275	12	31,113
Charge for the year	-	14	126	416	869	1,365	1,196	2,625	4	6,615
Disposals	-	-	-	-	(412)	(1,230)	-	-	-	(1,642)
Write offs	-	-	-	-	(15)	(109)	-	-	-	(124)
As of 31 December 2017	-	230	2,417	1,673	8,019	5,595	5,112	12,900	16	35,962

16. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The Group 2016	Freehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Mechanical and electrical RM'000	Office equipment, furniture and fittings RM'000	Motor vehicles RM'000	Building renovations RM'000	Toll equipment RM'000	Highway-operation equipment RM'000	Total RM'000
Cost										
As of 1 January 2016	280	700	9,720	1,971	13,768	12,940	6,194	21,272	23	66,868
Additions	-	-	128	87	302	1,649	246	159	-	2,571
Disposals	-	-	-	-	(8)	(911)	-	-	-	(919)
Write offs	-	-	(16)	-	(508)	-	-	-	-	(524)
Derecognised on disposal of subsidiaries (Note 46)	-	-	(7,199)	-	(4,211)	(4,333)	(90)	-	-	(15,833)
As of 31 December 2016	280	700	2,633	2,058	9,343	9,345	6,350	21,431	23	52,163
Accumulated depreciation										
As of 1 January 2016	-	202	9,990	841	7,565	6,135	2,757	6,458	8	33,956
Charge for the year	-	14	332	416	1,277	1,692	1,261	3,817	4	8,813
Disposals	-	-	-	-	(8)	(911)	-	-	-	(919)
Write offs	-	-	(16)	-	(499)	-	-	-	-	(515)
Derecognised on disposal of subsidiaries (Note 46)	-	-	(8,015)	-	(758)	(1,347)	(102)	-	-	(10,222)
As of 31 December 2016	-	216	2,291	1,257	7,577	5,569	3,916	10,275	12	31,113

16. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The Group 2016	Freehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Mechanical and electrical RM'000	Office equipment, furniture and fittings RM'000	Motor vehicles RM'000	Building renovations RM'000	Toll equipment RM'000	Highway-operation equipment RM'000	Total RM'000
Accumulated currency translation differences										
As of 1 January 2016	-	-	2,323	-	(3,189)	899	26	-	-	59
Currency translation differences	-	-	(147)	-	(36)	(203)	-	-	-	(386)
Derecognised on disposal of subsidiaries (Note 46)	-	-	(2,176)	-	3,225	(696)	(26)	-	-	327
As of 31 December 2016	-	-	-	-	-	-	-	-	-	-
Net book value										
As of 31 December 2017	280	470	338	385	1,447	2,696	1,686	8,738	10	16,050
As of 31 December 2016	280	484	342	801	1,766	3,776	2,434	11,156	11	21,050

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

16. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The Company	Plant and machinery RM'000	Mechanical and electrical RM'000	Office equipment, furniture and fittings RM'000	Motor vehicles RM'000	Building renovations RM'000	Total RM'000
2017						
Cost						
As of 1 January 2017	33	1,773	4,974	1,797	5,262	13,839
Additions	-	-	54	-	158	212
Disposals	-	-	-	(592)	-	(592)
Adjustments	-	-	(5)	-	-	(5)
As of 31 December 2017	33	1,773	5,023	1,205	5,420	13,454
Accumulated depreciation						
As of 1 January 2017	33	1,090	4,108	1,384	3,124	9,739
Charge for the year	-	354	329	103	1,056	1,842
Disposals	-	-	-	(282)	-	(282)
As of 31 December 2017	33	1,444	4,437	1,205	4,180	11,299
2016						
Cost						
As of 1 January 2016	68	1,773	5,199	1,674	5,016	13,730
Additions	-	-	82	388	246	716
Disposals	-	-	-	(265)	-	(265)
Write offs	(35)	-	(307)	-	-	(342)
As of 31 December 2016	33	1,773	4,974	1,797	5,262	13,839
Accumulated depreciation						
As of 1 January 2016	67	736	3,541	1,439	2,087	7,870
Charge for the year	1	354	874	210	1,037	2,476
Disposals	-	-	-	(265)	-	(265)
Write offs	(35)	-	(307)	-	-	(342)
As of 31 December 2016	33	1,090	4,108	1,384	3,124	9,739
Net book value						
As of 31 December 2017	-	329	586	-	1,240	2,155
As of 31 December 2016	-	683	866	413	2,138	4,100

16. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(a) The net book value of assets held under finance lease agreements of the Group and of the Company amounted to RM211,000 (2016: RM464,000) and Nil (2016: RM32,000) respectively.

(b) Depreciation charges for the financial year consist of:

		The Group		The Company	
		2017	2016	2017	2016
	Note	RM'000	RM'000	RM'000	RM'000
Capitalised in amount due from contract customers	28	221	120	-	-
Statements of profit or loss and other comprehensive income for continuing operations and discontinued operations:					
Cost of operations	7&14	2,626	4,167	-	-
Administrative and other expenses	9&14	3,768	4,526	1,842	2,476
		6,394	8,693	1,842	2,476
		6,615	8,813	1,842	2,476

17. INVESTMENT PROPERTIES

	The Group and The Company	
	2017	2016
	RM'000	RM'000
Cost:		
As of 1 January/As of 31 December	369	369
Accumulated depreciation:		
As of 1 January	96	89
Charge for the year (Note 9)	7	7
As of 31 December	103	96
Accumulated impairment loss:		
As of 1 January/As of 31 December	26	26

17. INVESTMENT PROPERTIES (CONT'D)

	The Group and The Company 2017 RM'000	The Group and The Company 2016 RM'000
Net book value:		
As of 31 December	240	247
Representing:		
Freehold building	115	119
Leasehold building	125	128
	240	247

Fair value of the investment properties of the Group and of the Company as of 31 December 2017 is estimated at RM724,000 (2016: RM740,000) based on directors' assessment of the current prices in an active market for the respective properties within the vicinity.

Details of the Group's and the Company's investment properties, all of which are located in Malaysia, and information about the fair value hierarchy as at 31 December are as follows:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Fair Value RM'000
2017				
Freehold building	-	-	340	340
Leasehold building	-	-	384	384
2016				
Freehold building	-	-	335	335
Leasehold building	-	-	405	405

There were no transfers between Levels 1, 2 and 3 during the year.

The unexpired lease period of the leasehold building of the Group and of the Company is 76 years (2016: 77 years).

18. INTANGIBLE ASSETS

	The Group	
	2017 RM'000	2016 RM'000
Cost:		
As of 1 January	1,262,903	1,757,687
Additions	-	1,404
Profits from the construction of a public service infrastructure	-	108
Derecognised on disposal of subsidiaries (Note 46)	-	(496,296)
As of 31 December	1,262,903	1,262,903
Accumulated amortisation:		
As of 1 January	107,570	91,014
Charged for the year:		
Continuing operations (Note 7)	26,181	27,074
Discontinued operations (Note 14)	-	8,528
	26,181	35,602
Derecognised on disposal of subsidiaries (Note 46)	-	(19,046)
As of 31 December	133,751	107,570
Accumulated impairment loss:		
As of 1 January	-	18,871
Derecognised on disposal of subsidiaries (Note 46)	-	(18,871)
As of 31 December	-	-
Accumulated currency translation differences:		
As of 1 January	-	139,309
Currency translation differences	-	(41,280)
Derecognised on disposal of subsidiaries (Note 46)	-	(98,029)
As of 31 December	-	-
Carrying amount	1,129,152	1,155,333

The intangible assets of the Group at the end of the reporting period consist of a concession awarded by the Government of Malaysia to a subsidiary, Grand Saga Sdn. Bhd., for fifty years to upgrade and maintain a section of the existing Federal Route 1 at the Kuala Lumpur-Seremban Road described as the Cheras-Kajang Highway ("Highway"). The ownership of the Highway will be transferred to the Government of Malaysia at the end of the concession period in September 2045.

The key bases and assumptions used in the estimation of its recoverable amount are disclosed in Note 23.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

19. INVESTMENT IN SUBSIDIARIES

	The Company 2017 RM'000	The Company 2016 RM'000
Unquoted shares - at cost:		
As of 1 January	320,243	344,473
Additions	-	275
Disposals (Note 46)	-	(24,505)
As of 31 December	320,243	320,243
Accumulated impairment loss:		
As of 1 January	461	7,846
Reversal of impairment loss for the year (Note 8)	-	(63)
Derecognised on disposal of subsidiaries (Note 46)	-	(7,322)
As of 31 December	461	461
Carrying amount	319,782	319,782

The shares of all subsidiaries are held directly by the Company unless otherwise indicated as follows:

Name	Country of incorporation	Proportion of ownership interest held by the Group 2017 %	Proportion of ownership interest held by the Group 2016 %	Principal activities
Held directly by the Company:				
Sungai Harmoni Sdn. Bhd. ("SHSB")[&]	Malaysia	100	100	Management, operation and maintenance of water treatment plants for a period of 30 years expiring in January 2030.
Taliworks (Langkawi) Sdn. Bhd.	Malaysia	100	100	Management, operation and maintenance of water treatment plants and water distribution systems for a concession period of 25 years expiring in October 2020.

19. INVESTMENT IN SUBSIDIARIES (CONT'D)

Name	Country of incorporation	Proportion of ownership interest held by the Group 2017 %	2016 %	Principal activities
Held directly by the Company (cont'd):				
Air Kedah Sdn. Bhd.	Malaysia	60	60	Application to strike off was made under Section 308 of the Companies Act, 1965 on 16 August 2016. On 2 March 2018, the company has been struck off from the register of companies pursuant to Section 308(4) of the Companies Act, 1965.
Taliworks Technologies Sdn. Bhd.	Malaysia	100	100	Provision of project consultancy and technical services and sales of products related to water and waste treatment.
Taliworks Meruan (Sarawak) Sdn. Bhd. ("TMSB")[€]	Malaysia	60	60	Provision of construction, development, management, operation and maintenance of water supply schemes, solid waste disposal facilities. The company is ` under member's voluntary winding-up pursuant to Section 439(1)(b) of the Companies Act, 2016 with effect from 26 February 2018.
Taliworks Construction Sdn. Bhd.	Malaysia	100	100	General construction.
TEI Sdn. Bhd. ("TEI")	Malaysia	51	51	Investment holding.
TE Overseas Ventures Sdn. Bhd. ("TOVSB")[$]	Malaysia	100	-	Incorporated on 2 October 2017 as an investment holding company.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

19. INVESTMENT IN SUBSIDIARIES (CONT'D)

Name	Country of incorporation	Proportion of ownership interest held by the Group 2017 %	2016 %	Principal activities
Held through TOVSB:				
TE Overseas Ventures Pte. Ltd. ("TOVPL")$@	Singapore	100	-	Incorporated on 2 October 2017 as an investment holding company.
Held through TEI:				
Trinitywin Sdn. Bhd.	Malaysia	51	51	Investment holding.
Cerah Sama Sdn. Bhd. ("CSSB")	Malaysia	51	51	Investment holding.
Held through CSSB:				
Trupadu Sdn. Bhd.#	Malaysia	51	51	Toll operator and general contractor of Cheras-Kajang Highway.
Peak Synergy Sdn. Bhd.#	Malaysia	51	51	Investment holding. The company is under member's voluntary winding-up pursuant to Section 254(1)(b) of the Companies Act, 1965 with effect from 4 November 2016.
Europlex Consortium Sdn. Bhd.#	Malaysia	51	51	Investment holding. The company is under member's voluntary winding-up pursuant to Section 254(1)(b) of the Companies Act, 1965 with effect from 4 November 2016.
Grand Saga Sdn. Bhd.#	Malaysia	51	51	Design, planning and construction of Cheras-Kajang Highway. The Highway has a concession period of 50 years expiring in September 2045.

19. INVESTMENT IN SUBSIDIARIES (CONT'D)

& The auditors' report on the financial statements of the subsidiary contained an emphasis of matter on the uncertainty over the collectability of amount owing by a customer.

The equity interest in these subsidiaries formed part of the security arrangements for the Islamic Medium Term Notes borrowings as disclosed in Note 36.

$ On 2 October 2017, the Company incorporated a wholly-owned subsidiary, TOVSB, under the Companies Act, 2016, with an issued share capital of RM2 comprising 2 ordinary shares. On the same date, TOVSB incorporated a wholly-owned subsidiary, TOVPL, under Companies Act (Chapter 50) of Singapore, with an issued share capital of SGD2 comprising 2 ordinary shares. Following the incorporation, TOVSB and TOVPL became a direct and an indirect wholly-owned subsidiary of the Company respectively.

@ The company has appointed an audit firm other than Deloitte PLT as its auditors. No statutory audit has been performed for the financial period 2 October 2017 to 31 December 2017 as the company's intended first financial period is from 2 October 2017 to 31 December 2018.

€ TMSB was incorporated on 27 June 2016 as a wholly-owned subsidiary of the Company, with an authorised share capital of RM500,000 of which RM2 comprising 2 ordinary shares of RM1.00 each was issued and paid up.

Subsequently, on 26 July 2016, TMSB increased its issued and paid up share capital from RM2 to RM500,000 by way of issuance of 499,998 new ordinary shares of RM1.00 each. The new ordinary shares issued ranked pari-passu with the existing ordinary shares of TMSB. Out of the 499,998 ordinary shares issued, TMSB allotted 274,999 ordinary shares to the Company; 24,999 ordinary shares to Taliworks Construction Sdn Bhd, a wholly-owned subsidiary of the Company, and the remaining 200,000 ordinary shares to external shareholders. Consequently, TMSB became a 60% owned subsidiary of the Company.

Composition of the Group

Information about the composition of the Group at the end of the reporting period is as follows:

Principal activities	Place of incorporation and operation	Number of wholly-owned subsidiaries 2017	2016
Management, operations and maintenance of water treatment plants and water distribution systems	Malaysia	2	2
Provision of management and technical services relating to waste management	Malaysia	1	1
General construction	Malaysia	1	1
Investment holding	Malaysia	1	-
Investment holding	Singapore	1	-
		6	4

19. INVESTMENT IN SUBSIDIARIES (CONT'D)

Composition of the Group (cont'd)

Information about the composition of the Group at the end of the reporting period is as follows (cont'd):

Principal activities	Place of incorporation and operation	Number of non-wholly owned subsidiaries 2017	2016
Construction of water treatment works	Malaysia	1	1
General construction	Malaysia	1	1
Toll highway	Malaysia	7	7
		9	9

Details for non-wholly-owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests.

Name of subsidiary	Proportion of ownership interests held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interest	
	2017 %	2016 %	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
TEI	49%	49%	12,997	17,925	274,135	277,070
Other individually immaterial subsidiaries	-*	-*	-	2,782	201	200
			12,997	20,707	274,336	277,270

* Various proportion of ownership interests and voting rights held by non-controlling interests.

19. INVESTMENT IN SUBSIDIARIES (CONT'D)

Summarised financial information in respect of the subsidiary that has material non-controlling interests is set out as below. The summarised financial information below represents amounts before intragroup eliminations.

	The Group	
	TEI 2017 RM'000	TEI 2016 RM'000
Non-current assets	1,262,693	1,276,275
Current assets	110,285	122,430
Current liabilities	(29,632)	(30,036)
Non-current liabilities	(783,887)	(803,220)
Net assets	559,459	565,449
Equity attributable to owners of the Company	285,324	288,379
Non-controlling interest	274,135	277,070
Revenue	85,648	92,672
Expenses	(59,125)	(56,091)
Profit for the year	26,523	36,581
Profit attributable to owners of the Company	13,526	18,656
Profit attributable to non-controlling interest	12,997	17,925
Net cash generated from/(used in):		
Operating activities	52,843	54,810
Investing activities	1,115	1,736
Financing activities	(53,633)	(60,609)
Net change in cash and cash equivalents	325	(4,063)

20. INVESTMENT IN JOINT VENTURE

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Unquoted ordinary shares, at cost	30,749	30,749	30,749	30,749
Redeemable preference shares, at cost	36,424	36,424	36,424	36,424
Group's share of post-acquisition reserve, net of dividend	3,230	482	-	-
	70,403	67,655	67,173	67,173

Details of the joint ventures, which are incorporated in Malaysia, are as follows:

Name	Proportion of ownership interest held by the Group 2017 %	2016 %	Principal activities
Pinggiran Muhibbah Sdn. Bhd. ("PMSB")	50	50	Investment holding in Grand Sepadu (NK) Sdn. Bhd. which is principally engaged in activities of operation and maintenance of the New North Klang Straits Bypass Expressway for a concession period of 18 years ending in December 2032.

The summarised financial information set out below represents amounts shown in the joint venture's financial statements prepared in accordance with MFRS, adjusted by the Group for equity accounting purposes.

PMSB	2017 RM'000	2016 RM'000
Summarised statement of financial position		
Non-current assets	385,004	368,439
Current assets	34,563	42,158
Current liabilities	(5,196)	(1,558)
Non-current liabilities	(234,425)	(236,429)
Non-controlling interests	(39,141)	(37,301)
Net assets	140,805	135,309

20. INVESTMENT IN JOINT VENTURE (CONT'D)

PMSB	2017 RM'000	2016 RM'000
Summarised statement of profit or loss and other comprehensive income		
Revenue	53,447	47,859
Profit for the year	5,496	635

Reconciliation of the above summarised financial information to the carrying amount of the interest in joint ventures recognised in the financial statements of the Group is as follows:

	2017 RM'000	2016 RM'000
Net assets	140,805	135,309
Proportion of the Group's ownership interest in the joint venture	50%	50%
Carrying amount of the investment in joint venture	70,403	67,655

21. INVESTMENT IN ASSOCIATES

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Unquoted shares, at cost	249,931	249,931	249,931	249,931
Compensation (Note 46)	(17,087)	-	(17,087)	-
Share of post-acquisition reserve, net of dividend	(872)	1,923	-	-
	231,972	251,854	232,844	249,931

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

21. INVESTMENT IN ASSOCIATES (CONT'D)

Details of the associates, which are incorporated in Malaysia, are as follows:

Name	Proportion of ownership interest held by the Group 2017 %	2016 %	Principal activities
Hydrovest Sdn. Bhd. ("Hydrovest")*	40	40	Provision of water management and project services. The Company is in the process of winding up.
LGB Taliworks Consortium Sdn. Bhd.	20	20	General construction.
LGB & TCB JV Sdn. Bhd.*	49	49	General construction.
Aqua Flo Sdn. Bhd. ("AFSB")*β	24	24	Trading in chemical products (formerly held through Hydrovest).
SWM Environment Holdings Sdn. Bhd. ("SWMH")*∞	35	35	Investment holding with its principal investment in a company managing and carrying on solid waste collection and public cleansing management and other related activities.

* Audited by a firm other than Deloitte PLT.

∞ The acquisition of SWMH as an associate formed part of the significant events in 2016 as disclosed in Note 46.

The Company completed the fair value measurement exercise ("FVM Exercise") by engaging Crowe Horwath Advisory Sdn. Bhd., a licensed Corporate Finance Advisors, to determine the fair values assigned to the associate's identifiable assets and liabilities acquired in the financial year 2016 pursuant to the requirement of MFRS 128 Investment in Associates and Joint Ventures.

In conducting the FVM Exercise by Crowe Horwath Advisory Sdn. Bhd., significant management judgement was involved in determining the fair values of these identifiable assets and liabilities based on acceptable valuation procedures and practices that rely on the use of numerous reasonable assumptions.

β On June 2016, the Company acquired 120,000 ordinary shares of RM1.00 each in AFSB, from Hyrdrovest, a 40% associate of the Company, representing 24% of the issued and paid up capital of AFSB, for a consideration of RM1,256,400. Prior to the acquisition, AFSB was a 60% owned subsidiary of Hydrovest.

The summarised financial information of the material associate is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with MFRS, adjusted by the Group for equity accounting purposes.

21. INVESTMENT IN ASSOCIATES (CONT'D)

The Group	**SWMH 2017 RM'000**	**SWMH 2016 RM'000**
Summarised statement of financial position		
Non-current assets	3,444,392	3,695,947
Current assets	718,226	828,721
Current liabilities	(428,302)	(330,207)
Non-current liabilities	(1,673,306)	(2,013,710)
Non-controlling interest	(1,381,448)	(1,490,571)
Net assets	679,562	690,180

Summarised statement of profit or loss and other comprehensive income	**1.1.2017 to 31.12.2017 RM'000**	**17.5.2016 to 31.12.2016 RM'000**
Revenue	859,497	553,433
Profit for the year	148,429	106,725
(Less)/Add:		
Deduction of the dividend on the cumulative preferences shares held by parties other than the Group	(126,660)	(79,249)
Group consolidation adjustments arising from the FVM Exercise	(22,387)	4,695
(Loss)/Profit for the year	(618)	32,171

Reconciliation of the above summarised financial information to the carrying amount of the interest in SWMH recognised in the financial statements of the Group is as follows:

	2017 RM'000	**2016 RM'000**
Net assets	679,562	690,180
Proportion of the Group's ownership interest in the associates	35%	35%
	237,843	241,560
Compensation (Note 46)	(17,087)	-
Adjustment for stamp duties paid	735	735
Carrying amount of the investment in associates	221,491	242,295

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

21. INVESTMENT IN ASSOCIATES (CONT'D)

The summarised financial information of other individually immaterial associates are set out below.

The Group	Others 2017 RM'000	Others 2016 RM'000
Summarised statements of financial position		
Non-current assets	3,263	2,954
Current assets	73,201	61,059
Current liabilities	(33,482)	(26,026)
Non-current liabilities	(1,189)	(65)
Net assets	41,793	37,922
Summarised statements of profit or loss and other comprehensive income		
Revenue	118,081	83,864
Profit for the year	5,871	3,233

22. OTHER INVESTMENT

	The Group 2017 RM'000	The Group 2016 RM'000
Available for sale:		
Golf membership, at cost	240	240

23. GOODWILL ON CONSOLIDATION

	The Group 2017 RM'000	The Group 2016 RM'000
As of 1 January	129,385	131,889
Derecognised on disposal of subsidiaries (Note 46)	-	(2,504)
As of 31 December	129,385	129,385

23. GOODWILL ON CONSOLIDATION (CONT'D)

Goodwill on consolidation arose from:

(i) the acquisition of Cerah Sama Sdn. Bhd. arising from the restructuring exercise in August 2014; and

(ii) the acquisition of Puresino (Guanghan) Water Co. Ltd. by Taliworks (Sichuan) Limited, an 80% owned subsidiary of the Company in May 2007. During the previous year, the goodwill has been derecognised upon disposal of the subsidiary as disclosed in Note 46.

An impairment review of the carrying value of the goodwill at the end of the reporting period was undertaken by the directors by comparing to the recoverable amount which was based on value in use calculations.

The key bases and assumptions used in the estimation of the recoverable amount are as follows:

(a) Traffic volume of Toll Plaza Batu 9 and Batu 11 are projected based on the average yearly growth rate of 1.7% and 2.4% (2016: 1.7% and 2.3%) respectively;

(b) Toll operation costs, routine maintenance costs and other operating expenses are expected to increase at the rate of 3% (2016: 3%) annually;

(c) Commissions to be paid to Touch & Go and Smart Tag is estimated at a fixed rate of 1.3% (2016: 1.5%) of total toll revenue collected; and

(d) Pre-tax discount rate of 10.64% (2016: 8.5%) applied to the cash flow projections is derived from the company's weighted average cost of capital.

The recoverable amounts of the abovementioned goodwill have been estimated by the directors based on the abovementioned bases and assumptions as to future events which the directors expect to take place and actions which the directors expect to take as of the time the recoverable amounts were estimated. While information may be available to support the bases and assumptions on which the recoverable amounts of the goodwill were based, such information is generally future oriented and anticipated events may not occur as expected which may result in the variation of the recoverable amounts. However, the directors are of the opinion that the underlying key bases and assumptions used in the estimation of the recoverable amount are reasonable and there is no impairment to the carrying amount of goodwill.

If the estimated pre-tax discount rate applied to the discounted cash flows had been increased by an additional 1.0% and all other variables remain constant, there will be an impairment to the carrying value of the goodwill at the end of the reporting period amounting to RM99.64 million.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

24. DEFERRED TAX ASSETS/(LIABILITIES)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the statements of financial position:

	The Group	
	2017 RM'000	2016 RM'000
Deferred tax assets	42,553	31,906
Deferred tax liabilities	(236,162)	(238,866)
	(193,609)	(206,960)

The movements during the financial year are as follows:

	The Group	
	2017 RM'000	2016 RM'000
As of 1 January	(206,960)	(235,556)
Derecognised on disposal of subsidiaries (Note 46)	-	(253)
Transfer from/(to) profit or loss (Note 13):		
Property, plant and equipment	20	(35)
Intangible assets	764	15,492
Other receivables, deposits and prepayments	-	5
Trade receivables	10,778	13,449
Provision for heavy repairs	1,873	-
Other payables and accruals	(84)	(21)
	13,351	28,890
Currency translation differences	-	(41)
As of 31 December	(193,609)	(206,960)

24. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)

The movements in deferred tax assets and liabilities during the financial year (prior to offsetting of balances) comprise the following:

	The Group	
	2017	**2016**
	RM'000	**RM'000**
Deferred tax assets (before offsetting)		
Tax effects of deductible temporary differences arising from:		
Trade receivables	42,145	31,367
Other payables and accruals	655	749
Deferred income	95	95
Provision for heavy repairs	2,944	1,071
	45,839	33,282
Offsetting	(3,286)	(1,376)
Deferred tax assets (after offsetting)	42,553	31,906
Deferred tax liabilities (before offsetting)		
Tax effects of taxable temporary differences arising from:		
Property, plant and equipment	856	876
Intangible assets	238,585	239,349
Other receivables, deposits and prepayments	7	7
Other payables and accruals	-	10
	239,448	240,242
Offsetting	(3,286)	(1,376)
Deferred tax liabilities (after offsetting)	236,162	238,866

As mentioned in Note 3, the deductible temporary differences, unused tax losses and unused tax credits which would give rise to net deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

24. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)

As of the end of the reporting period, the estimated amount of deductible temporary differences, unused tax losses and unabsorbed capital allowances, for which the net deferred tax assets is not recognised in the financial statements due to uncertainty of realisation, is as follows:

	The Group		The Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Temporary differences arising from:				
Property, plant and equipment	1,558	1,394	1,558	1,394
Other payables and accruals	3,918	3,626	3,918	3,626
Unused tax losses	17,520	17,788	15,662	15,930
Unabsorbed capital allowances	6,119	5,427	6,011	5,320
	29,115	28,235	27,149	26,270

25. TRADE RECEIVABLES

The analysis of trade receivables between non-current and current is as follows:

	The Group		The Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000 (Restated)**	**RM'000**	**RM'000**
Non-Current:				
Trade receivables	537,922	431,722	-	-
Less: Provision for discounting	(175,604)	(124,116)	-	-
Net	362,318	307,606	-	-
Current:				
Trade receivables	138,973	122,647	1,715	4,211
Total	501,291	430,253	1,715	4,211

25. TRADE RECEIVABLES (CONT'D)

The movement in provision for discounting during the financial year is as follows:

	The Group	
	2017 RM'000	2016 RM'000
Non-Current:		
As of 1 January	124,116	75,448
Provision for discounting (Note 6 and 9)	51,488	62,318
Reversal of discounting (Note 8)	-	(12,860)
Derecognised on disposal of subsidiaries	-	(1,240)
Currency translation differences	-	450
As of 31 December	175,604	124,116

The average credit period granted to the customers ranges from 45 days to 60 days. No interest is charged on trade receivables, even for those which are past due.

Of the total trade receivables of the Group of RM501,291,000 (2016: RM430,253,000), RM485,053,000 (2016: RM422,761,000) is concentrated in two customers. These customers are Syarikat Air Darul Aman Sdn. Bhd. ("SADA"), a corporatised body under the Kedah state government, and Syarikat Pengeluar Air Sungai Selangor Sdn. Bhd. ("SPLASH"), the concession holder for Sungai Selangor Water Supply Scheme Phase 1 and 3.

(a) SADA

The gross invoiced amount due from SADA as of 31 December 2017 is RM44,358,000 (2016: RM44,691,000) was deemed by the Group to be current as payments from SADA has been regular.

The Group believes that the credit risk relating to the amounts owing by SADA to be minimal as the amounts are due from the related entities of the state government.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

25. TRADE RECEIVABLES (CONT'D)

(b) SPLASH

In 2014, the Selangor state and Federal governments executed a heads of agreement for Pengurusan Air Selangor Sdn. Bhd. ("Air Selangor"), a special purpose vehicle created by the Selangor state government, to take over the water supply services in Selangor, Kuala Lumpur and Putrajaya ("Supply Area") by acquiring all the concessionaires namely, SPLASH, the concessionaire for the Sungai Selangor Water Supply Scheme Phase 1 and 3, Puncak Niaga (M) Sdn. Bhd., the concessionaire for the Sungai Selangor Water Supply Scheme Phase 2, Syarikat Bekalan Air Selangor Sdn. Bhd. ("SYABAS"), the concessionaire for the distribution of treated water in the Supply Area and Titisan Modal (M) Sdn. Bhd., the holding company of Konsortium ABASS Sdn. Bhd. ("ABASS"). ABASS operates and maintains the Sungai Semenyih Water Supply Scheme.

The Selangor state government, through Air Selangor, completed the acquisitions of Puncak Niaga (M) Sdn. Bhd. and SYABAS in October 2015 and Titisan Modal (M) Sdn. Bhd. in January 2016. However, the proposed take-over of SPLASH has yet to be completed. Air Selangor has been given a one-year grace period until 7 October 2016 to acquire SPLASH but subsequent extensions were granted. Upon expiry of the latest dateline on 5 October 2017, it was reported in the media that the Ministry of Energy, Green, Technology and Water had written to the Selangor state government to further extend the share sales and purchase agreement for SPLASH until 4 July 2018.

In July 2016, the quantum of payments from SPLASH had been reduced from about 60% of the monthly billings to approximately 34% with no indication that the quantum will be increased or decreased in the future. The Group has had discussions with the Selangor Economic Planning Unit, Air Selangor and SPLASH collectively and/or individually, to reach a possible settlement on the amount due from SPLASH. Whilst several settlement terms have been discussed, no final terms have been concluded.

Pending the acquisition of SPLASH by Air Selangor, SYABAS has not been making full monthly payments to SPLASH and SPLASH in turn is unable to make full monthly payments to Sungai Harmoni Sdn. Bhd. ("SHSB"), a wholly owned subsidiary of the Company, resulting in the gross invoiced amount from SPLASH to SHSB as of 31 December 2017 to be RM616,299,000 (2016: RM502,186,000) ("Amount Due from SPLASH").

In assessing the timing of repayment of Amount Due from SPLASH, the directors have taken the probability-weighted average approach on three (3) different scenarios, using the repayment terms as parameters to determine the provision for discounting on a deferred payment consideration. Under this approach, the directors have set out the scenarios and placed an equal probability of one-third to each of the scenario. These scenarios are based on the directors' assumptions as to future events which the directors expect to take place as of the time the assumptions were made but the actual outcome could differ from the scenarios taken.

25. TRADE RECEIVABLES (CONT'D)

(b) SPLASH (cont'd)

The three assumptions used in the timing of collection to determine the provision for discounting on the Amount Due from SPLASH are as follows:

Scenario	Assumption	Basis
A	The directors assume that pending the completion of acquisition of SPLASH by Air Selangor, the quantum of payment from SPLASH would remain at approximately 34%.	This is the current payment pattern by SPLASH since July 2016. However, under this scenario, the amount of payment by SPLASH is not sufficient to sustain the business operations of SHSB.
B	The directors assume that pending the completion of acquisition of SPLASH by Air Selangor, the quantum of payment from SPLASH would be increased to approximately 60%.	This was the payment pattern by SPLASH prior to July 2016. This is the minimum amount of payment required to sustain the business operations of SHSB.
C	The directors assume that the acquisition of SPLASH by Air Selangor would be completed, but the Amount Due from SPLASH would be settled over several instalments.	This is based on a precedent debt settlement scheme undertaken in 2005 by SHSB and SPLASH.

A net impact of RM51,488,000 (2016: RM49,458,000) on the provision for discounting has been made in the current financial year, comprising:

(i) provision for discounting on a deferred payment consideration of RM6,232,000 (2016: RM62,318,000) which was set-off against revenue, as disclosed in Note 6; and

(ii) an additional provision for discounting of receivables amounting to RM45,256,000 recognised as other expenses (2016: a reversal of discounting of receivables amounting to RM12,860,000 recognised as other operating income).

If the Group's expectations on the timing of payments are extended by a year and all other variables remain constant, the invoiced amounts due from SPLASH would require additional provision for discounting of RM41,437,000 (2016: RM38,945,000).

25. TRADE RECEIVABLES (CONT'D)

The ageing of the Group's trade receivables which was past due but not impaired as of the end of the reporting period is as follows:

The Group	SADA RM'000	SPLASH RM'000	Others RM'000	Total RM'000
2017				
Past due up to 3 months	14,859	44,692	-	59,551
Past due 3 to 9 months	19,747	60,310	9,854	89,911
Past due 9 months and above	-	305,900	-	305,900
	34,606	410,902	9,854	455,362
2016 (Restated)				
Past due up to 3 months	14,733	31,754	2,490	48,977
Past due 3 to 9 months	20,330	22,672	2,130	45,132
Past due 9 months and above	-	294,506	-	294,506
	35,063	348,932	4,620	388,615

The Company	2017 RM'000	2016 RM'000
Past due up to 3 months	-	571

Included in trade receivables of the Group and of the Company are the following:

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
(a) an amount owing from a subsidiary of joint venture	2,128	-	-	-
(b) an amount owing from an associate	2,542	-	-	-

The above amounts owing mainly arose from trade transactions which are unsecured, interest free and repayable on demand.

26. DEPOSITS, CASH AND BANK BALANCES

	The Group		The Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Non-Current:				
Deposits with licensed banks	32,957	154,123	3,721	125,807
Current:				
Deposits with licensed banks	75,338	100,996	22,080	39,245
Cash and bank balances	36,152	12,580	27,828	4,145
	111,490	113,576	49,908	43,390
Total	144,447	267,699	53,629	169,197
Less: Deposits pledged as security	(32,957)	(154,123)	(3,721)	(125,807)
Cash and cash equivalents	111,490	113,576	49,908	43,390

The currency profile of deposits, cash and bank balances is as follows:

	The Group		The Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	122,362	120,907	31,544	22,405
United States Dollar	22,085	146,792	22,085	146,792
Total	144,447	267,699	53,629	169,197

26. DEPOSITS, CASH AND BANK BALANCES (CONT'D)

(a) Included in long-term deposits with licensed banks of the Group are the following:

(i) amounts totalling RM20,720,000 (2016: RM142,328,000) that are pledged as security for banking facilities to facilitate the issuance of performance guarantees and tender bonds for the bidding of projects, and performance bonds on contracts for the management, operation and maintenance of water treatment plants and as security for a revolving credit facility as disclosed in Note 36; and

(ii) an amount of RM12,237,000 (2016: RM11,795,000) set aside under the Finance Service Reserve Account as part of the security arrangements of Islamic Medium Term Notes as disclosed in Note 36.

(b) Included in deposits with licensed banks of the Company are long-term deposits amounting to RM3,721,000 (2016: RM125,807,000) that are pledged as security for banking facilities to facilitate issuance of performance guarantees and tender bonds for the bidding of projects and as security for a revolving credit facility as disclosed in Note 36.

(c) The average interest rates of deposits of the Group and of the Company at the end of the reporting period ranging from 0.50% to 3.85% (2016: 0.48% to 4.00%) per annum and 0.50% to 3.85% (2016: 0.48% to 3.30%) per annum, respectively.

(d) Deposits of the Group and of the Company have an average maturity ranging from 7 days to 558 days (2016: 7 days to 1,007 days) and 7 days to 365 days (2016: 7 days to 1,007 days) respectively. Bank balances are deposits held at call with licensed banks.

27. INVENTORIES

	The Group	
	2017 RM'000	2016 RM'000
Consumable spares	1,276	1,488

All of the Group's inventories are expected to be used within the next 12 months.

28. AMOUNT DUE FROM/(TO) CONTRACT CUSTOMERS

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Aggregate costs incurred to-date and recognised profits	345,350	444,391	33,689	168,064
Progress billings	(328,942)	(431,474)	(29,837)	(168,248)
Net amount due from/(to) contract customers	16,408	12,917	3,852	(184)
Represented by:				
Amount due from contract customers	17,194	13,101	3,852	-
Amount due to contract customers	(786)	(184)	-	(184)
	16,408	12,917	3,852	(184)

Included in amount due from/(to) contract customers are:

	The Group	
	2017 RM'000	2016 RM'000
Depreciation of property, plant and equipment (Note 16)	221	120
Rental of site office	44	23
Interest expense on borrowings	23	123
Interest expense on finance lease	-	6

29. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Other receivables	4,285	1,536	387	429
Interest receivables	182	369	-	-
Prepayments	1,191	1,505	394	109
Deposits	1,835	1,501	897	821
Amount due from an associate	8,531	16,431	8,531	16,431
	16,024	21,342	10,209	17,790

Included in amount due from an associate is a dividend receivable amounting to RM3,499,950 (2016:RM14,700,000).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

30. AMOUNT DUE FROM SUBSIDIARIES

	The Company	
	2017 RM'000	2016 RM'000
Non-current:		
Amount due from subsidiaries	3,415	3,415
Less: Provision for impairment	(3,415)	(3,415)
	-	-
Current:		
Amount due from subsidiaries	57,903	39,246
	57,903	39,246

The movement in provision for impairment during the financial year is as follows:

	2017 RM'000	2016 RM'000
Non-current:		
As of 1 January	3,415	8,181
Derecognised on disposal of subsidiaries	-	(4,766)
As of 31 December	3,415	3,415
Current:		
As of 1 January	-	300
Write off	-	(300)
As of 31 December	-	-

The non-current portion of amount due from subsidiaries arose from non-trade transactions, which is interest free, unsecured and is not expected to be repaid within the next 12 months.

The current portion of amount due from subsidiaries arose from trade transactions, which is interest free, unsecured and repayable on demand.

31. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets comprise investment in quoted unit trusts in money market securities instruments that are not held for trading.

The movement in available-for-sale financial assets during the financial year is as follows:

	The Group		The Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
As of 1 January	63,020	238,692	4,052	188,982
Additions	65,425	114,135	48,168	96,077
Disposals	(59,153)	(289,889)	(50,166)	(281,204)
Fair value changes transferred:				
To equity	505	280	35	392
From equity	(27)	(198)	(14)	(195)
	478	82	21	197
As of 31 December	69,770	63,020	2,075	4,052

32. SHARE CAPITAL

	The Group and the Company			
	2017		**2016**	
	Number of shares '000	**Nominal value RM'000**	**Number of shares '000**	**Nominal value RM'000**
Authorised:				
Ordinary shares of RM0.20 each	-^	-^	2,500,000	500,000
Issued and fully paid:				
As of 1 January	1,209,489	241,898	1,209,489	241,898
Transfer from share premium (Note 33)	-	196,663^	-	-
Issued during the financial year:				
Exercise of Warrants	-	-	-*	-*
As of 31 December	1,209,489	438,561	1,209,489	241,898

32. SHARE CAPITAL (CONT'D)

* Includes 50 new ordinary shares of RM0.20 each.

^ The Company's issued and fully paid-up share capital comprises ordinary shares with a par value of RM0.20 each. The new Companies Act 2016 ("Act"), which came into operation on 31 January 2017, introduces the "no par value" regime. Accordingly, the concepts of "authorised share capital" and "par value" have been abolished.

In accordance with the transitional provisions of the Act, the credit balance of the Company's share premium account of RM196,663,333 has become part of the Company's share capital. These changes do not have an impact on the number of shares in issue or the relative entitlement of any of the shareholders.

However, the Company has a period of 24 months from the effective date of the Act to use the existing balances credited in the share premium account in a manner as specified by the Act.

(a) In 2016, the issued and paid-up share capital of the Company was increased from RM241,897,790 comprising 1,209,488,950 ordinary shares of RM0.20 each, to RM241,897,800 comprising 1,209,489,000 ordinary shares of RM0.20 each by way of the issuance of 50 new ordinary shares of RM0.20 each pursuant to the exercise of Warrants of the Company.

(b) Warrants

On 12 November 2015, the Company issued 241,897,790 Warrants 2015/2018 ("Warrants") on the basis of one (1) Warrant for every five (5) ordinary shares held after the Share Split involving the subdivision of every two (2) then existing ordinary shares of RM0.50 each into five (5) ordinary shares of RM0.20 each which was completed on 9 November 2015. The Warrants entitle the holders to subscribe for one (1) new ordinary share for every one (1) Warrant held within three years from the date of issuance of the Warrants to the expiry date on 11 November 2018 ("Exercise Period"), and any Warrants not exercised by that date shall thereafter lapse and cease to be valid.

The main features of the Warrants are:

(i) the Warrants were issued in registered form and are constituted and governed by a deed poll executed by the Company ("Deed Poll");

(ii) each Warrant entitles the holder to subscribe for one new ordinary share at an exercise price of RM1.70 per share at any time during the Exercise Period;

(iii) the Warrant holders are not entitled to any voting rights in any general meeting of the Company or to participate in any form of distribution and/or offer of further securities to the ordinary shareholders in the Company until and unless such Warrant holders exercise their Warrants;

32. SHARE CAPITAL (CONT'D)

(b) Warrants (cont'd)

(iv) the new shares to be allotted and issued pursuant to the exercise of the Warrants shall, rank pari passu in all respects with the then existing shares, save and except that they shall not be entitled to any dividends, rights, allotments and/or other distributions when the entitlement date of which is prior to the date of the allotment of the new shares;

(v) the exercise price of the Warrants and/or the number of unexercised Warrants may from time to time be adjusted in the event of alteration to the share capital of the Company, capital distribution or issue of shares in accordance with the provisions of the Deed Poll.

Set out below are details of Warrants over ordinary shares of the Company:

		Number of Warrants over ordinary shares			
Date of issue	**Exercise price per share RM**	**As of 1 January '000**	**Exercised '000**	**Lapsed '000**	**As of 31 December '000**
2017					
12.11.2015	1.70	241,898	-	-	241,898
Weighted average exercise price (RM)		1.70	-	-	1.70
2016					
12.11.2015	1.70	241,898	-£	-	241,898
Weighted average exercise price (RM)		1.70	1.70	-	1.70

£ In 2016, there were 50 Warrants exercised resulting in 50 units of shares being issued. The proceeds received from the exercise of warrants was RM85.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

33. SHARE PREMIUM

	The Group and The Company	
	2017 RM'000	2016 RM'000
As of 1 January	196,663	196,663
Transfer to share capital (Note 32)	(196,663)	-
Warrants:		
Proceeds from shares issued	-	-€
As of 31 December	-	196,663

€ Includes RM75 proceeds on exercise of Warrants as disclosed in Note 32.

34. MERGER DEFICIT

	The Group	
	2017 RM'000	2016 RM'000
Merger deficit	71,500	71,500

The merger deficit is derived from the following:

	Nominal Value of Shares Issued RM'000	Nominal Value of Shares Acquired RM'000	Merger Deficit RM'000
Subsidiaries acquired in financial year ended 31 December 2000:			
Sungai Harmoni Sdn. Bhd.	47,000	(5,000)	42,000
Taliworks (Langkawi) Sdn. Bhd.	32,500	(3,000)	29,500
	79,500	(8,000)	71,500

35. RETAINED EARNINGS

The Company is currently under the single tier income tax system.

The entire retained earnings of the Company as of the end of the reporting period are available for distribution as single tier dividends under the single tier income tax system. Under this system, tax on a company's profit is a final tax and dividends distributed to shareholders will be exempted from tax.

36. BORROWINGS

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Non-Current:				
Finance lease liabilities	57	217	-	-
Islamic Medium Term Notes ("IMTN")	416,516	415,968	-	-
	416,573	416,185	-	-
Current:				
Finance lease liabilities	157	213	-	31
Revolving credit	-	70,000	-	70,000
	157	70,213	-	70,031
Total:				
Finance lease liabilities (a)	214	430	-	31
IMTN (b)	416,516	415,968	-	-
Revolving credit (c)	-	70,000	-	70,000
	416,730	486,398	-	70,031

The Group and the Company have a total of RM909,500,000 and RM135,000,000 (2016: RM967,315,000 and RM156,000,000) of credit facilities, respectively comprising revolving credit and other trade financing facilities granted by financial institutions and RM750,000,000 in nominal value IMTN programme.

Facilities of the Group amounting to RM901,500,000 (2016: RM959,315,000) are secured by way of either proceeds deposited into designated bank accounts, fixed deposits and/or corporate guarantee from the Company.

36. BORROWINGS (CONT'D)

Facilities of the Company amounting to RM127,000,000 (2016: RM148,000,000) are secured by way of either proceeds deposited into designated bank accounts and fixed deposits.

In the event of default in any of the subsidiaries' borrowings, there is no recourse against the Company, except for corporate guarantees amounting to RM68,061,000 (2016: RM68,061,000) issued to financial institutions for banking facilities secured by certain subsidiaries.

Weighted average interest/profit rates that were effective as of the end of the reporting period are as follows:

	The Group		The Company	
	2017	2016	2017	2016
	%	%	%	%
Finance lease liabilities	2.48 to 2.50	2.40 to 3.20	-	2.40 to 2.47
IMTN	4.40 to 5.14	4.63 to 5.20	-	-
Revolving credit	-	4.32	-	4.32

(a) Finance lease liabilities

The finance lease liabilities are denominated in Ringgit Malaysia. Finance lease liabilities are effectively secured as the rights to the leased assets which revert to the lessor in the event of default.

	The Group		The Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
The minimum lease payments at the end of the reporting period are as follows:				
Not later than 1 year	163	228	-	32
Later than 1 year	58	224	-	-
	221	452	-	32
Future finance charges	(7)	(22)	-	(1)
Present value	214	430	-	31

36. BORROWINGS (CONT'D)

(a) Finance lease liabilities (cont'd)

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
The maturity profile of the present value of the finance lease liabilities is as follows:				
Not later than 1 year	157	213	-	31
Later than 1 year	57	217	-	-
	214	430	-	31

(b) Islamic Medium Term Notes ("IMTN")

	The Group	
	2017 RM'000	2016 RM'000
As of 1 January	415,968	415,418
Interest imputed in borrowing (Note 9)	548	550
As of 31 December	416,516	415,968

The Ringgit Malaysia denominated IMTN of Cerah Sama Sdn. Bhd. ("CSSB"), a subsidiary, was issued under the Islamic principle of Musyarakah. Profits shall be paid on a semi-annual basis, and the IMTNs are secured by the following:

(i) Deposits with licensed financial institution, set aside under the subsidiary's Financial Service Reserve Account; and

(ii) CSSB's equity interest in ordinary shares of all of its subsidiaries.

36. BORROWINGS (CONT'D)

(c) Revolving credit

On 17 May 2016, the Company drawn down RM80,000,000 from a revolving credit facility of RM100,000,000 to finance the SWMH Acquisition referred to in Note 46. The revolving credit facility will be repaid using the proceeds from the Disposal of Foreign Operations as disclosed in Note 46. The revolving credit was secured by an assignment and charge over 110% marginal deposits placed in USD Escrow account with the lender.

During the financial year, the remaining outstanding balance of the revolving credit amounting to RM70,000,000 was fully settled.

(d) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's and the Company's liabilities arising from financing activities. Liabilities arising from financing activities are those for which cash flows were or future cash flows will be, classified in the Group's and the Company's statements of cash flows as cash flows from financing activities.

The Group	As of 1.1.2017 RM'000	Repayments RM'000	Interest expenses RM'000	As of 31.12.2017 RM'000
Revolving credit	70,000	(70,000)	-	-
Finance lease liabilities	430	(216)	-	214
IMTN	415,968	-	548	416,516
	486,398	(70,216)	548	416,730

37. TRADE PAYABLES

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Non-Current:				
Retention sums	9,383	8,422	-	-
Less: Interest income imputed in retention sum	(712)	(1,172)	-	-
Net	8,671	7,250	-	-

37. TRADE PAYABLES (CONT'D)

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Current:				
Trade payables	132,186	86,052	-	-
Retention sums	687	1,951	-	-
	132,873	88,003	-	-
Total	141,544	95,253	-	-

At the end of the financial year, the Group has a retention sum owing to contractors amounted to approximately RM10,070,000 (2016: RM10,373,000). Out of this amount, the Group anticipated that RM687,000 (2016: RM1,951,000) will be repaid in the next 12 months and thus has been classified as current. The remaining outstanding balance of RM9,383,000 (2016: RM8,422,000) has been classified as long-term payables, and it is expected to be released to contractors in 2019 (2016: between 2018 to 2019).

The movement in interest income imputed in retention sum during the financial year is as follows:

	The Group	
	2017 RM'000	2016 RM'000
Non-Current:		
As of 1 January	1,172	1,253
Recognised in profit or loss (Note 8 & 9)	(460)	160
Derecognised on disposal of subsidiaries	-	(224)
Currency translation differences	-	(17)
As of 31 December	712	1,172

The average credit period of trade payables is 30 days. No interest is charged by the trade payables for balances which are past due.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

37. TRADE PAYABLES (CONT'D)

Included in trade payables of the Group and of the Company are the following:

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
(a) an amount owing to a company in which a director and major shareholders have an interest	32,834	27,528	-	-
(b) an amount owing to a company in which major shareholders have an interest	15,105	12,579	-	-
(c) an amount owing to an associate of the Group	10,620	6,274	-	-

The above amounts owing mainly arose from trade transactions which are unsecured, interest free and repayable on demand.

38. PROVISION FOR HEAVY REPAIRS

	The Group	
	2017 RM'000	2016 RM'000
As of 1 January	16,720	12,605
Provision for the year (Note 7)	3,049	4,115
Overprovision in prior year (Note 7)	(6,152)	-
As of 31 December	13,617	16,720

39. DEFERRED INCOME

	The Group	
	2017 RM'000	2016 RM'000
Rental and maintenance fee:		
As of 1 January	702	769
Received	1,350	-
Recognised in profit or loss (Note 8)	(67)	(67)
As of 31 December	1,985	702
Government compensation:		
As of 1 January	172,232	189,521
Recognised in profit or loss (Note 6)	(16,640)	(17,289)
As of 31 December	155,592	172,232
Government grant:		
As of 1 January	-	20,839
Recognised in profit or loss (Note 14)	-	(163)
Currency translation difference	-	(1,421)
Derecognised on disposal of subsidiaries (Note 46)	-	(19,255)
As of 31 December	-	-
Current	16,065	16,640
Non-current	141,512	156,294
Total deferred income	157,577	172,934

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

40. OTHER PAYABLES AND ACCRUALS

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Other payables and accruals	42,369	36,439	21,493	22,373
Interest payables	8,807	8,922	-	-
	51,176	45,361	21,493	22,373

Included in other payables and accruals of the Group and of the Company are the following:

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
(a) an amount owing to a company in which a director and major shareholders have an interest	7,709	316	7,278	156
(b) an amount owing arising from the acquisition of AFSB as disclosed in Note 21	1,130	1,130	1,130	1,130
(c) an amount owing to an associate by a subsidiary of the Group	105	-	-	-

The above amounts owing mainly arose from non-trade transactions which are unsecured, interest free and repayable on demand.

41. DIVIDENDS

Dividends declared and paid/payable in respect of the financial year are as follows:

2017	**The Group and The Company** Gross dividend per share Sen	Amount of dividend, net of tax RM'000
Dividends paid:		
In respect of the financial year ended 31 December 2016:		
Fourth interim single-tier dividend paid on 31 March 2017	2.0	24,190
In respect of the financial year ended 31 December 2017:		
First interim single-tier dividend paid on 14 July 2017	2.0	24,190
Second interim single-tier dividend paid on 21 September 2017	2.0	24,190
		72,570
Dividend payable:		
In respect of the financial year ended 31 December 2017:		
Third interim single-tier dividend paid on 10 January 2018	2.0	24,190
		96,760

Subsequent to the end of the financial year, on 28 February 2018, the directors declared a fourth interim single-tier dividend of 2.0 sen per share amounting to approximately RM24,190,000 in respect of the current financial year, to be paid on 13 April 2018. This dividend has not been included as a liability in the statements of financial position as of 31 December 2017.

2016	**The Group and The Company** Gross dividend per share Sen	Amount of dividend, net of tax RM'000
In respect of the financial year ended 31 December 2015:		
Fourth interim single-tier dividend paid on 11 April 2016	2.0	24,190
In respect of the financial year ended 31 December 2016:		
First interim single-tier dividend paid on 15 July 2016	2.0	24,190
Second interim single-tier dividend paid on 15 September 2016	2.0	24,190
Third interim single-tier dividend paid on 23 December 2016	2.0	24,189
		96,759

42. FINANCIAL INSTRUMENTS

Capital Risk Management

The Group's and the Company's objectives when managing capital are to safeguard the Group's and the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group and the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, institute share-buy-backs or increase the level of debt.

Consistent with others in the industry, the Group and the Company monitor capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the statements of financial position) less deposits, cash and bank balances and available-for-sale financial assets. Total capital is the "total equity attributable to owners of the Company" as shown in the statements of financial position.

The Group's and the Company's strategy, which was unchanged from the previous year, is to maintain the gearing ratio of less than 100%.

The gearing ratios at the end of each reporting period are as follows:

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Total borrowings (Note 36)	416,730	486,398	-	70,031
Less: Deposits, cash and bank balances (Note 26)	(144,447)	(267,699)	(53,629)	(169,197)
Less: Available-for-sale financial assets (Note 31)	(69,770)	(63,020)	(2,075)	(4,052)
Net debt	202,513	155,679	N/A	N/A
Total capital	1,053,534	1,120,972	705,894	783,141
Net gearing ratio	19%	14%	N/A	N/A

* N/A-not applicable

Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the bases of measurement, and the bases for recognition of income and expenses) for each class of financial asset, financial liability are disclosed in Note 3.

42. FINANCIAL INSTRUMENTS (CONT'D)

Categories of financial instruments

	The Group		The Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Financial assets				
Loans and receivables:				
Trade receivables	501,291	430,253	1,715	4,211
Other receivables and deposits	14,833	19,837	9,815	17,681
Deposits, cash and bank balances	144,447	267,699	53,629	169,197
Amount due from subsidiaries	-	-	57,903	39,246
Available-for-sale financial assets:				
Investment in quoted unit trusts	69,770	63,020	2,075	4,052
Other investments	240	240	-	-
Investment in redeemable preference shares of a joint venture	36,424	36,424	36,424	36,424
Financial liabilities				
Other financial liabilities:				
At amortised costs:				
Trade payables	141,544	95,253	-	-
Other payables and accruals	51,176	45,361	21,493	22,373
Borrowings	416,730	486,398	-	70,031
Dividend payable	24,190	-	24,190	-

Financial Risk Management Objectives

The Group's and the Company's activities in the normal course of business expose it to a variety of financial risks, including foreign currency, interest rate, credit and liquidity risks. The Group's and the Company's overall financial risk management objective is to minimise potential adverse effects of these risks on the financial performance of the Group and of the Company. Financial risk management is carried out through risk reviews, internal control systems and adherence to prudent financial risk management policies.

The Group and the Company do not use derivative financial instruments as the nature and size of its financial assets and liabilities do not warrant the use of such instruments at present. It does not trade in financial instruments.

42. FINANCIAL INSTRUMENTS (CONT'D)

Financial Risk Management Objectives (cont'd)

Foreign Currency Risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group and the Company may be exposed to foreign currency risk as a result of transactions undertaken denominated in currencies other than the functional currencies of the entities.

The Group and the Company will maintain a natural hedge, whenever possible, by borrowing in the currency of the country in which the investment is located or by borrowing in currencies that match the future revenue stream to be generated from its investments.

Sensitivity analysis for foreign currency risk

The Group and the Company are mainly exposed to the foreign currency risk of US Dollar from proceeds raised from the Disposal of Foreign Operations disclosed in Note 14.

5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at year end for a 5% change in foreign currency rates. The sensitivity analysis includes external loans where the denomination of the loan is in a currency other than the currency of the lender or the borrower. If US Dollar strengthens/weakens against RM by 5%, with all other variables held constant, the Group's and the Company's pre-tax profit for the financial year would have been RM1,104,000 (2016: RM7,340,000) higher/lower.

In the director's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk because the exposure at the end of the reporting period does not reflect the exposure during the year.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of the Group's and the Company's financial instruments will fluctuate due to changes in market interest rates. Interest rate exposure primarily arises from the Group's and the Company's deposits and borrowings. Borrowings obtained at fixed rates expose the Group and the Company to fair value interest rate risk. The Group and the Company closely monitor the interest rate trend on an ongoing basis. Decisions in respect of fixed or floating rate debt structure and tenure of borrowings and deposits are made based on the expected trend of interest rate movements.

42. FINANCIAL INSTRUMENTS (CONT'D)

Financial Risk Management Objectives (cont'd)

Sensitivity analysis for interest rate risk

At the end of the reporting period, if interest rates had been 100 basis points lower/higher, with all other variables held constant, the Group's and the Company's pre-tax profit for the financial year would have been RM3,082,000 and RM258,000 (2016: RM2,308,000 and RM951,000) higher/lower respectively, arising mainly as a result of lower/higher finance costs on floating rate borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on a prudent estimate of the current market environment.

The above sensitivity analysis prepared by management excludes finance lease liabilities as their interest rates are fixed at the inception of the financing arrangement.

Credit Risk

Credit risk is the risk of a financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. It arises when services or sales are made on deferred credit terms. The credit risk of the Group and the Company is concentrated in a few customers. The Group and the Company consider the risk of material loss in the event of non-performance by the financial counter-party or customer to be unlikely beyond amounts allowed for collection losses in the Group's and the Company's receivables. Further disclosure is made in Note 25.

Maximum exposure to credit risk

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of their trade and other receivables as disclosed in the statements of financial position, in the event that all their customers fail to perform their obligations at the end of the reporting period.

Available-for-sale financial assets comprise investment in liquid securities primarily in quoted unit trusts in money market securities instruments managed by companies that are authorised to issue or offer for purchase of units of a Unit Trust Scheme as defined under the Capital Markets and Services Act, 2007 of Malaysia.

The Group and the Company do not hold any collateral or credit enhancements to cover its credit risk associated with its receivables.

42. FINANCIAL INSTRUMENTS (CONT'D)

Financial Risk Management Objectives (cont'd)

Maximum exposure to credit risk (cont'd)

The credit quality of deposits, cash and bank balances assessed by reference to external credit ratings or to historical information about counterparty default rates is as follows:

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Deposits, cash and bank balances (Note 26):				
External credit rating (as rated by a rating agency in Malaysia):				
AAA	124,413	244,663	51,435	166,871
AA1	-	1,826	-	-
AA2	17,494	18,665	229	169
Without external credit rating	2,540	2,545	1,965	2,157
	144,447	267,699	53,629	169,197

Liquidity Risk

Liquidity risk is the risk that the Group and the Company will not be able to meet their financial obligations as and when they fall due. Liquidity risk is managed by maintaining an adequate level of cash reserves and committed credit facilities, and close monitoring of working capital requirements. The Group and the Company seek to maintain flexibility in funding by keeping committed credit lines available. If required, the Group and the Company will raise additional funds through external borrowings or from the capital markets.

In circumstances where current liabilities exceed current assets and there is a deficit in shareholders' funds, the Company may undertake to provide financial support to its subsidiaries to enable the subsidiaries to meet their liabilities as and when they fall due.

42. FINANCIAL INSTRUMENTS (CONT'D)

Liquidity Risk (cont'd)

The table below analyses the financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the undiscounted contractual cash flows.

	Weighted average effective interest rate %	Less than 1 year RM'000	Between 1 to 2 years RM'000	Between 2 to 5 years RM'000	Over 5 years RM'000	Total RM'000
The Group						
2017						
Non-interest bearing:						
Trade payables	-	132,186	-	-	-	132,186
Other payables and accruals	-	51,176	-	-	-	51,176
Interest bearing:						
Trade payables	8	687	9,383	-	-	10,070
Borrowings	2.4 to 5.1	21,172	21,067	146,875	406,116	595,230
		205,221	30,450	146,875	406,116	788,662
2016						
Non-interest bearing:						
Trade payables	-	86,052	-	-	-	86,052
Other payables and accruals	-	45,361	-	-	-	45,361
Interest bearing:						
Trade payables	8	1,951	8,422	-	-	10,373
Borrowings	2.4 to 5.4	91,352	21,233	120,331	453,668	686,584
		224,716	29,655	120,331	453,668	828,370

42. FINANCIAL INSTRUMENTS (CONT'D)

Liquidity Risk (cont'd)

	Weighted average effective interest rate %	Less than 1 year RM'000	Between 1 to 2 years RM'000	Between 2 to 5 years RM'000	Over 5 years RM'000	Total RM'000
The Company						
2017						
Non-interest bearing:						
Other payables and accruals	-	21,493	-	-	-	21,493
2016						
Non-interest bearing:						
Other payables and accruals	-	22,373	-	-	-	22,373
Interest bearing:						
Borrowings	2.4 to 2.5	71,782	-	-	-	71,782
		94,155	-	-	-	94,155

43. FAIR VALUE MEASUREMENT

This note provides information about how the Group and the Company determine fair values of various financial assets and liabilities.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

43. FAIR VALUE MEASUREMENT (CONT'D)

(a) Financial assets that are measured at fair value

The table below analyses the financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
The Group				
2017				
Available-for-sale - investment in quoted unit trusts	-	69,770	-	69,770
2016				
Available-for-sale - investment in quoted unit trusts	-	63,020	-	63,020
The Company				
2017				
Available-for-sale - investment in quoted unit trusts	-	2,075	-	2,075
2016				
Available-for-sale - investment in quoted unit trusts	-	4,052	-	4,052

There was no transfer between Levels 1, 2 and 3 during the year.

For investment in quoted unit trusts in general, fair values have been estimated by reference to quotes published by unit trust companies.

Investment in golf membership and investment in redeemable preference shares of joint venture are stated at cost less identified impairment losses as they do not have a quoted market price in an active market and the directors believe that the fair values cannot be reliably measured.

43. FAIR VALUE MEASUREMENT (CONT'D)

(b) Fair value of financial assets and financial liabilities that are not measured at fair value (but fair value disclosures are required)

Except as detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
The Group				
2017				
Long-term trade receivables	-	-	362,318	362,318
IMTN	-	437,392	-	437,392
2016				
Long-term trade receivables	-	-	307,606	307,606
IMTN	-	435,122	-	435,122

The fair value of IMTN was determined from future cash flows discounted using current market profit rates available for similar financial instruments of 4.4% to 5.14% (2016: 4.64% to 5.20%).

(c) Description of key inputs to valuation on the financial assets measured at Level 3

Description of valuation techniques and key inputs to valuation on the financial assets measured at Level 3 are as follows:

Valuation technique	Significant unobservable input	Range (%)	Relationship between unobservable input and fair value
2017			
Long-term trade receivables: Discounted cash flows method	Discount rate	4.50 to 15.02	An increase in the discount rate used would result in a decrease in the fair value.
2016			
Long-term trade receivables: Discounted cash flows method	Discount rate	4.50 to 12.41	An increase in the discount rate used would result in a decrease in the fair value.

44. SIGNIFICANT RELATED PARTY TRANSACTIONS

The significant related party transactions described below were carried out in the normal course of business on agreed terms and prices.

The related parties and the relationship with the Company are as follows:

Related party	Relationship
Alam Ria Sdn. Bhd.	Common director and major shareholder
Perangsang Water Management Sdn. Bhd.	Common major shareholder
Exitra Sdn. Bhd.	Common director and major shareholder
Exitra Solutions Sdn. Bhd.	Common director and major shareholder
GSL Realty Sdn. Bhd.	Common director and major shareholders
Amalgamated Industrial Steel Berhad	Common director and major shareholder
LGB Engineering Sdn. Bhd.	Common director and major shareholders
LGB Group (HK) Limited	Common major shareholders
Conseec Gali Sdn. Bhd.	Common director and major shareholders
Esys Montenay (Malaysia) Sdn. Bhd.	Common major shareholder
Sungai Harmoni Sdn. Bhd.	Subsidiary
Taliworks (Langkawi) Sdn. Bhd.	Subsidiary
Taliworks Construction Sdn. Bhd.	Subsidiary
Grand Saga Sdn. Bhd.	Subsidiary
TEI Sdn. Bhd.	Subsidiary
Grand Sepadu (NK) Sdn. Bhd.	Subsidiary of joint venture
Aqua-Flo Sdn. Bhd.	Associate (effective 30 June 2016)
Hydrovest Sdn. Bhd.	Associate
SWM Environment Holdings Sdn. Bhd.	Associate (effective 17 May 2016)
LGB Taliworks Consortium Sdn. Bhd.	Associate
Edaran SWM Sdn. Bhd.	Subsidiary of associate (effective 17 May 2016)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

44. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

In addition to related party disclosures disclosed elsewhere in the financial statements, set out below are other significant related party transactions:

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Purchase of water treatment chemicals and related equipment or systems from and design, supply, install, testing and commissioning of equipment for water treatment plant from:				
Aqua-Flo Sdn. Bhd.	17,900	16,970	-	-
Contractual payments in respect of technical support and management services to:				
Alam Ria Sdn. Bhd. (a)	6,261	6,133	-	-
Perangsang Water Management Sdn. Bhd. (a)	3,130	3,066	-	-
Contractual payments in respect of royalty fees to:				
Alam Ria Sdn. Bhd. (a)	2,950	2,978	-	-
Purchase of hardware and software and service rendered in relation to information technology services and maintenance fee paid to:				
Exitra Sdn. Bhd. (b)	1,916	1,580	516	452
Exitra Solutions Sdn. Bhd. (b)	131	160	102	119
Rental of premises paid to:				
GSL Realty Sdn. Bhd. (b)	3,038	2,775	3,038	2,775
Progress billings:				
LGB Engineering Sdn. Bhd. (b)	5,002	766	-	-
Grand Sepadu (NK) Sdn. Bhd.	4,605	-	-	-
Staff secondment fees paid to:				
LGB Engineering Sdn. Bhd. (b)	99	116	26	-
LGB Taliworks Consortium Sdn. Bhd.	647	-	-	-
Purchase of steel bar from:				
Amalgamated Industrial Steel Berhad (b)	703	-	-	-
Rental income from:				
Sungai Harmoni Sdn. Bhd.	-	-	269	246
Taliworks Construction Sdn. Bhd.	-	-	448	411

44. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Management fee from:				
Subsidiaries:				
Sungai Harmoni Sdn. Bhd.	-	-	3,034	3,034
Taliworks (Langkawi) Sdn. Bhd.	-	-	1,494	1,494
Taliworks Construction Sdn. Bhd.	-	-	786	786
Grand Saga Sdn. Bhd.	-	-	2,969	2,969
Joint venture:				
Grand Sepadu (NK) Sdn. Bhd.	1,464	1,464	1,464	1,464
Associates:				
SWM Environment Holdings Sdn. Bhd. (b)	3,800	-	3,800	-
Edaran SWM Sdn. Bhd. (b)	-	1,583	-	1,583
Total (Note 6)	5,264	3,047	13,547	11,330
Dividend income from:				
Subsidiaries:				
Taliworks (Langkawi) Sdn. Bhd.	-	-	10,000	14,730
Sungai Harmoni Sdn. Bhd.	-	-	-	10,000
TEI Sdn. Bhd.	-	-	16,830	20,196
Associates:				
SWM Environment Holdings Sdn. Bhd.	-	-	3,500	14,700
Hydrovest Sdn. Bhd.	-	-	-	408
Aqua Flo Sdn. Bhd.	-	-	480	-
Total (Note 6)	-	-	30,810	60,034

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

44. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

(a) The contractual payments relating to the operations and maintenance of water treatment plants are based on fee rates stated in the respective agreements entered into by Alam Ria Sdn. Bhd. ("Alam Ria") and Perangsang Water Management Sdn. Bhd. ("PWM") with Sungai Harmoni Sdn. Bhd. ("SHSB") and Taliworks (Langkawi) Sdn. Bhd. ("TLSB"). The contractual agreement in respect of technical support and management services between SHSB and Alam Ria and PWM was entered into in March 2000. The contractual agreement in respect of royalty fees between TLSB and Alam Ria was originally entered into in September 1996.

Fees charged for the management, operation and maintenance of water treatment plants as stated above are based on the schedule of fees stipulated in the Operations and Maintenance Agreement for Sungai Selangor Water Supply Scheme Phase 1 entered into between Syarikat Pengeluar Air Sungai Selangor Sdn. Bhd. ("SPLASH") and PWM in January 2000 (which was subsequently novated to SHSB in August 2000).

Mr. Lim Chin Sean is a director and major shareholder of the Company. He is also a director of Alam Ria and a major shareholder in Alam Ria and PWM.

(b) Mr. Lim Chin Sean is a director of Exitra Sdn. Bhd., Exitra Solutions Sdn. Bhd., GSL Realty Sdn. Bhd., LGB Engineering Sdn. Bhd. and Amalgamated Industrial Steel Berhad ("AIS Bhd"). He is also a major shareholder in these companies as well as SWM Environment Holdings Sdn. Bhd., AIS Bhd and Edaran SWM.

Compensation of key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company either directly or indirectly. The key management personnel of the Group and of the Company include Executive Director of the Company and certain members of senior management of the Group and of the Company.

The remuneration of Executive Director and other members of key management during the financial year are as follows:

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Fees	144	144	120	120
Wages, salaries and bonus	6,752	6,711	4,139	4,107
Defined contribution plan	805	804	496	492
Other emoluments	218	191	125	114
	7,919	7,850	4,880	4,833

44. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

Compensation of key management personnel (cont'd)

Included in total key management remuneration of the Group and of the Company is remuneration (consisting of fees, salaries, bonus, defined contribution plan and other remuneration) of the Company's Executive Director of RM554,000 (2016: RM543,000) and RM526,000 (2016: RM515,000) respectively.

Benefits in kind received by Executive Director and other members of key management of the Group and of the Company are RM205,000 (2016: RM180,000) and RM116,000 (2016: RM107,000) respectively.

45. CAPITAL COMMITMENTS

(a) Capital commitments not provided for in the financial statements are as follows:

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Authorised but not contracted for:				
Property, plant and equipment	2,536	2,247	858	716

(b) Non-cancellable operating lease commitments:

(i) Operating lease for water supply installation and quarters:

	The Group	
	2017 RM'000	2016 RM'000
No later than 1 year	150	150
Later than 1 year but not later than 5 years	300	450
	450	600

The above lease payments relate to a subsidiary, Taliworks (Langkawi) Sdn. Bhd.'s non-cancellable operating lease for water supply installations and quarters for the waterworks staff under a privatisation contract.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

45. CAPITAL COMMITMENTS (CONT'D)

(b) Non-cancellable operating lease commitments (cont'd):

(ii) Rental of premises:

In 2016, the Group renewed an operating lease with the landlord for the rental of its office premise. The rental tenure is for 3 years with the option for renewal of two terms of 3 years each, at RM3,038,458 per annum.

Future rentals payables under the non-cancellable operating lease at the reporting date are as follows:

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
No later than 1 year	3,038	3,038	3,038	3,038
Later than 1 year but not later than 5 years	3,039	6,077	3,039	6,077
	6,077	9,115	6,077	9,115

46. SIGNIFICANT EVENTS

2016

(a) Disposal of Foreign Operations

On 25 February 2016, the Company entered into a Disposals SSA with LGB HK for an aggregate cash consideration of United States Dollars 54.6 million for the Disposal of Foreign Operations, as disclosed in Note 14.

Upon completion of the Disposals SSA on 17 May 2016, TIL, TSL, SWMT and their subsidiaries ("Disposed Companies") ceased to be subsidiaries of the Company.

The disposal of foreign operations has resulted in a gain on disposal to the Group amounting to approximately RM65,786,000, which includes the cumulative exchange gain in respect of the net assets of the Disposed Companies prior to the disposal date that was reclassified from equity, and a loss on disposal to the Company amounting to approximately RM72,841,000 as disclosed in Notes 14 and 9 respectively.

46. SIGNIFICANT EVENTS (CONT'D)

(a) Disposal of Foreign Operations (cont'd)

The analysis of the Disposals of Foreign Operations is as follows:

(i) Consideration received:

	The Group RM'000
Consideration received in cash and cash equivalents	218,774*

* USD54.6 million translated based on the exchange rate prevailing at the disposal date, as quoted by Bank Negara Malaysia.

(ii) Analysis of assets and liabilities over which control was lost:

	The Group RM'000
Non-current assets	
Property, plant and equipment (Note 16)	5,284
Long-term trade receivables	11,470
Long-term other receivables	774
Intangibles assets (Note 18)	556,408
Goodwill on consolidation (Note 23)	2,504
Deferred tax asset (Note 24)	550
Deposits, cash and bank balances	2,464
Total non-current assets	579,454
Current assets	
Inventories	658
Trade receivables	12,583
Other receivables, deposits and prepayments	3,568
Deposits, cash and bank balances	64,081
Total current assets	80,890
Total assets	660,344

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

46. SIGNIFICANT EVENTS (CONT'D)

(a) Disposal of Foreign Operations (cont'd)

(ii) Analysis of assets and liabilities over which control was lost (cont'd):

	The Group RM'000
Current liabilities	
Trade payables	4,556
Other payables and accruals	39,407
Tax liabilities	433
Borrowings	22,258
Deferred income (Note 39)	428
Total current liabilities	67,082
Non-current liabilities	
Trade payables	1,765
Borrowings	365,786
Deferred tax liability (Note 24)	297
Deferred income (Note 39)	18,827
Total non-current liabilities	386,675
Total liabilities	453,757
Net assets disposed of	206,587
Equity attributable to owners of the Company	199,164
Non-controlling interests	7,423

46. SIGNIFICANT EVENTS (CONT'D)

(a) Disposal of Foreign Operations (cont'd)

(iii) Analysis of gain or loss in profit or loss in prior year:

	The Group RM'000	The Company RM'000
Consideration received	218,774	218,774
Net assets disposed of	(199,164)	(291,615)
Cumulative exchange gain in respect of the net assets of the Disposed Companies reclassified to profit or loss on the date of disposal	46,176	-
Gain/(Loss) on disposal (Note 14/Note 9)	65,786	(72,841)

The gain/(loss) on disposal is included in the profit or loss in prior year from discontinued operations, as disclosed in Note 14 and Note 9 respectively.

(iv) Net cash inflow on Disposal of Foreign Operations:

	The Group RM'000	The Company RM'000
Consideration received in cash	218,774	218,774
Less: Cash and cash equivalents disposed of	(66,545)	-
	152,229	218,774

(b) Acquisition of shares

On 25 February 2016, the Company entered into a conditional share purchase agreement with Conseec Gali Sdn. Bhd. and Esys Montenay (Malaysia) Sdn. Bhd., related parties of the Company as disclosed in Note 14, to acquire an aggregate of 3,501 ordinary shares of RM1.00 each in SWMH, a related party of the Company as disclosed in Note 14, representing 35% of the total issued and paid-up ordinary shares in SWMH, for an aggregate cash consideration of RM245,000,000 ("SWMH Acquisition"). The SWMH Acquisition was completed on 17 May 2016 and thereafter, SWMH became a 35% associate of the Company.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

46. SIGNIFICANT EVENTS (CONT'D)

2017

In relation to the SWMH Acquisition, LGB Holdings Sdn. Bhd. ("LGB Holdings"), a substantial shareholder of the Company, via a letter dated 17 May 2016, represented and warranted to the Company, amongst others, that at least RM49.6 million ("Collectable Amount") of the trade receivables of SWM Environment Sdn. Bhd., a wholly owned subsidiary of the associate, up to 30 June 2015 will be collected by 31 December 2016. In the event that the receivables collected is below the Collectable Amount as of 31 December 2016 ("Shortfall"), LGB Holdings would undertake to pay to the Company an amount equivalent to 35% of the Shortfall. Nevertheless, if the amount of the Shortfall is collected after 31 December 2016 and provided such Shortfall has been paid to the Company, such an amount up to the amount of Shortfall shall be paid by the associate to Kembangan Restu Sdn. Bhd., a related party of LGB Holdings and an existing shareholder of the associate, by way of dividends ("KRSB Dividends"). KRSB Dividends shall be subordinated to the declaration and payment of dividends by the associate to its ordinary shareholders.

On 6 February 2017, LGB Holdings notified the Company of a Shortfall and subsequently on 28 February 2017, the Company was notified that the Shortfall to be approximately RM17,087,000 ("Compensation"). The Compensation received has been recognised as a reduction to the carrying amount of investment in associate in the statements of financial position of the Group as of 31 December 2017.

47. SUBSEQUENT EVENTS

On 7 March 2018, a subsidiary, Sungai Harmoni Sdn. Bhd. received two writs of summons together with the corresponding statements of claim dated 1 March 2018 filed by Tenaga Nasional Berhad ("TNB") in relation to the outstanding payment of electricity bills to TNB.

TNB is claiming for the outstanding sums owed amounting to approximately RM8,015,000 ("Outstanding Sums 1") and RM27,693,000 ("Outstanding Sums 2") as of 31 January 2018, interest on Outstanding Sums 1 and 2 at the rate of 5% per annum calculated from 31 January 2018 until the date of full settlement, costs, and such other reliefs and/or order that the court deems fit and proper.

The suits are fixed for case management on 2 April 2018 and 19 April 2018. The subsidiary is defending both suits and has engaged solicitors in connection therewith.

The subsidiary had on 29 March 2018 served two third party notices on each of TNB, SPLASH and the Shah Alam High Court for the purpose of making SPLASH a party to each respective suits.

There is no material financial impact to the Group and to the subsidiary as the total amount claimed by TNB in respect of the suits have been fully taken up as trade payable in the statements of financial position of the Group and of the subsidiary.

48. COMPARATIVE FIGURES

The following comparative figures have been restated to with conform with current year's presentation:

	As previously reported 2016 RM'000	Reclassification 2017 RM'000	As reclassified 2016 RM'000
Statements of financial position:			
As at 31 December 2016			
Current Assets			
Trade receivables	277,470	30,136	307,606
Non-Current Assets			
Long-term trade receivables	152,783	(30,136)	122,647

ANALYSIS OF SHAREHOLDINGS

AS AT 16 MARCH 2018

SHAREHOLDINGS STRUCTURE

The total number of issued shares of the Company stands at 1,209,489,000 ordinary shares, with voting right of one vote per ordinary share.

ANALYSIS OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares Held	%
1 – 99	89	3.59	1,669	0.00
100 – 1,000	189	7.62	118,724	0.01
1,001 – 10,000	1,199	48.35	7,092,853	0.59
10,001 – 100,000	748	30.16	25,207,950	2.08
100,001 to less than 5% of issued shares	250	10.08	550,399,804	45.51
5% and above of issued shares	5	0.20	626,668,000	51.81
Total	**2,480**	**100.00**	**1,209,489,000**	**100.00**

LIST OF THIRTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares Held	%
1.	Tali-Eaux Sdn Bhd	230,031,000	19.02
2.	Water Clinic Sdn Bhd	162,000,000	13.39
3.	Lembaga Tabung Haji	86,000,000	7.11
4.	Malar Terang Sdn Bhd	74,783,000	6.18
5.	Century General Water (M) Sdn Bhd	73,854,000	6.11
6.	Mal Monte Sdn Bhd	57,510,000	4.75
7.	Citigroup Nominees (Tempatan) Sdn Bhd Exempt AN for AIA Bhd	55,234,300	4.57
8.	Citigroup Nominees (Asing) Sdn Bhd Exempt AN for UBS AG Hong Kong (Foreign)	45,000,000	3.72
9.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for Credit Suisse (SG BR-TST-Asing)	45,000,000	3.72
10.	Hong Leong Investment Bank Berhad IVT	28,550,000	2.36
11.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	28,095,600	2.32
12.	Citigroup Nominees (Asing) Sdn Bhd Exempt AN for Morgan Stanley Smith Barney LLC (CLNT FUL PD SEG)	25,601,750	2.12
13.	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB for Lim Chee Meng (PB)	25,000,000	2.07

LIST OF THIRTY LARGEST SHAREHOLDERS (CONT'D)

No.	Name	No. of Shares Held	%
14.	CIMB Group Nominees (Asing) Sdn Bhd Pledged securities account – DBS Bank Ltd for Vijay Vijendra Sethu (SG1400407752)	18,750,000	1.55
15.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (RHB Islamic)	12,536,300	1.04
16.	Maybank Nominees (Tempatan) Sdn Bhd National Trust Fund (IFM Maybank)	12,000,000	0.99
17.	Ng Yim Hoo	10,838,000	0.90
18.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (CIMB Prin)	9,861,700	0.82
19.	Public Nominees (Tempatan) Sdn Bhd Pledged securities account for Ong Ka Ting (E-SS2)	8,750,000	0.72
20.	Minhat Bin Mion	8,000,000	0.66
21.	Maybank Securities Nominees (Asing) Sdn Bhd Exempt AN for Maybank Kim Eng Securities Pte Ltd (A/C 648849)	6,797,000	0.56
22.	Citigroup Nominees (Tempatan) Sdn Bhd Universal Trustee (Malaysia) Berhad for CIMB Islamic Small Cap Fund	5,668,600	0.47
23.	Cartaban Nominees (Tempatan) Sdn Bhd PAMB for Participating Fund	5,273,750	0.44
24.	Century General Water (M) Sdn Bhd	5,247,000	0.43
25.	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for CIMB Islamic Dali Equity Theme Fund	3,997,100	0.33
26.	Ter Leong Yap	3,464,500	0.29
27.	Citigroup Nominees (Tempatan) Sdn Bhd Universal Trustee (Malaysia) Berhad for CIMB Islamic Dali Equity Fund	3,429,600	0.28
28.	Maybank Nominees (Tempatan) Sdn Bhd Maybank Trustees Berhad for CIMB-Principal Small Cap Fund (240218)	3,291,550	0.27
29.	Kenanga Nominees (Asing) Sdn Bhd Pledged securities account for Ra Wha Hyun	3,273,500	0.27
30.	Ng Ah Chye	3,109,300	0.26
	TOTAL	**1,060,947,550**	**87.72**

LIST OF SUBSTANTIAL SHAREHOLDERS

AS AT 16 MARCH 2018

The substantial shareholders as per the Register of Substantial Shareholders:-

Name	Direct No. of Shares Held	%	Indirect No. of Shares Held	Notes	%
Tali-Eaux Sdn Bhd	230,031,000	19.02	-	-	-
Water Clinic Sdn Bhd	162,000,000	13.39	-	-	-
Lembaga Tabung Haji	88,170,000	7.29	-	-	-
Century General Water (M) Sdn Bhd	79,101,000	6.54	-	-	-
Malar Terang Sdn Bhd	74,783,000	6.18	-	-	-
Vijay Vijendra Sethu	63,750,000	5.27	45,000,000	(a)	3.72
Anekawal Sdn Bhd	-	-	230,031,000	(b)	19.02
LGB Holdings Sdn Bhd	-	-	603,425,000	(c)	49.89
Adil Cita Sdn Bhd	-	-	309,132,000	(d)	25.56
Dato' Lim Chee Meng	26,827,250	2.22	604,100,000	(e)	49.95
Lim Chin Sean	150,004	0.01	604,100,000	(e)	49.95
GSL Development Sdn Bhd	-	-	79,101,000	(f)	6.54

Notes:-

(a) Indirect interest through a family trust.

(b) Deemed interest by virtue of its substantial shareholdings in Tali-Eaux Sdn Bhd.

(c) Deemed interest by virtue of its substantial shareholdings in Tali-Eaux Sdn Bhd, Malar Terang Sdn Bhd, Water Clinic Sdn Bhd, Century General Water (M) Sdn Bhd and Mal Monte Sdn Bhd.

(d) Deemed interest by virtue of its substantial shareholdings in Tali-Eaux Sdn Bhd and Century General Water (M) Sdn Bhd.

(e) Deemed interest by virtue of his substantial shareholdings in Malar Terang Sdn Bhd, Water Clinic Sdn Bhd, Tali-Eaux Sdn Bhd, Century General Water (M) Sdn Bhd, Mal Monte Sdn Bhd and LGB Engineering Sdn Bhd.

(f) Deemed interest by virtue of its substantial shareholdings in Century General Water (M) Sdn Bhd.

ANALYSIS OF WARRANT HOLDINGS
AS AT 16 MARCH 2018

No. of warrants issued : 241,897,740

ANALYSIS OF WARRANT HOLDINGS

Size of holdings	No. of holders	%	No. of Warrants Held	%
1 – 99	80	6.40	2,452	0.00
100 – 1,000	200	15.99	133,684	0.06
1,001 – 10,000	628	50.20	1,980,100	0.82
10,001 – 100,000	250	19.98	9,854,754	4.07
100,001 to less than 5% of issued warrants	86	6.87	78,967,800	32.65
5% and above of issued warrants	7	0.56	150,958,950	62.41
Total	**1,251**	**100.00**	**241,897,740**	**100.00**

LIST OF THIRTY LARGEST WARRANT HOLDERS

No.	Name	No. of Warrants Held	%
1.	Tali-Eaux Sdn Bhd	46,006,200	19.02
2.	Water Clinic Sdn Bhd	32,400,000	13.39
3.	LGB Engineering Sdn Bhd	16,935,000	7.00
4.	Malar Terang Sdn Bhd	14,956,600	6.18
5.	Century General Water (M) Sdn Bhd	14,770,800	6.11
6.	Citigroup Nominees (Asing) Sdn Bhd Exempt AN for Morgan Stanley Smith Barney LLC (CLNT FUL PD SEG)	13,140,350	5.43
7.	CIMB Group Nominees (Asing) Sdn Bhd Pledged securities account – DBS Bank Ltd for Vijay Vijendra Sethu (SG1400407752)	12,750,000	5.27
8.	Mal Monte Sdn Bhd	11,502,000	4.75
9.	Cimsec Nominees (Tempatan) Sdn Bhd CIMB for Lim Chee Meng (PB)	10,740,000	4.44
10.	Citigroup Nominees (Asing) Sdn Bhd Exempt AN for UBS AG Hong Kong (Foreign)	9,000,000	3.72
11.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (CIMB Prin)	6,345,600	2.62
12.	Maybank Securities Nominees (Asing) Sdn Bhd Exempt AN for Maybank Kim Eng Securities Pte Ltd (A/C 648849)	3,631,200	1.50
13.	Kenanga Nominees (Asing) Sdn Bhd Pledged securities account for Ra Wha Hyun (009)	3,452,300	1.43

ANALYSIS OF WARRANT HOLDINGS

AS AT 16 MARCH 2018

LIST OF THIRTY LARGEST WARRANT HOLDERS (CONT'D)

No.	Name	No. of Warrants Held	%
14.	Ng Oi Han	3,105,500	1.28
15.	Citigroup Nominees (Tempatan) Sdn Bhd Exempt AN for AIA Bhd	2,930,500	1.21
16.	Ng Yim Hoo	2,367,600	0.98
17.	Phang Wai Hoong	2,145,700	0.89
18.	Public Nominees (Tempatan) Sdn Bhd Pledged securities account for Ong Ka Ting (E-SS2)	1,750,000	0.72
19.	JAG Capital Equity Sdn Bhd	1,668,900	0.69
20.	Century General Water (M) Sdn Bhd	1,049,400	0.43
21.	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged securities account for Lau Lian Huat (8055176)	828,500	0.34
22.	Kenanga Nominees (Tempatan) Sdn Bhd Pledged securities account for Ng Chai Go	790,000	0.33
23.	HLIB Nominees (Tempatan) Sdn Bhd Pledged securities account for Liew Yoon Peck	751,000	0.31
24.	Cha Weay Chia	704,000	0.29
25.	Khaw Ai Leng	633,500	0.26
26.	Goh Chye Keat	500,000	0.21
27.	Kenanga Nominees (Tempatan) Sdn Bhd Pledged securities account for Lee Wai Chong (MR0650)	500,000	0.21
28.	Kenanga Nominees (Tempatan) Sdn Bhd Pledged securities account for Tan Kok Pin @ Kok Khong	500,000	0.21
29.	Ter Leong Yap	500,000	0.21
30.	Lee Siew Tick @ Lee Sew Chew	486,700	0.20
	TOTAL	**216,841,350**	**89.64**

LIST OF DIRECTORS' HOLDINGS IN SHARES & WARRANTS

AS AT 16 MARCH 2018

The Directors' shareholdings as per the Register of Directors' Shareholdings:-

Name	Direct No. of Shares Held	%	Indirect No. of Shares Held	Notes	%
Tan Sri Dato' Seri Ong Ka Ting	8,750,000	0.72	-	-	-
Dato' Lim Yew Boon	375,000	0.03	-	-	-
Vijay Vijendra Sethu	63,750,000	5.27	45,000,000	(a)	3.72
Lim Chin Sean	150,004	0.01	604,100,000	(b)	49.95
Soong Chee Keong	-	-	-	-	-
Dato' Sri Amrin Bin Awaluddin	-	-	-	-	-
Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin	-	-	-	-	-
Ahmad Jauhari Bin Yahya	-	-	-	-	-

The Directors' warrant holdings as per the Register of Directors' Warrant holdings:-

Name	Direct No. of Warrants Held	%	Indirect No. of Warrants Held	Notes	%
Tan Sri Dato' Seri Ong Ka Ting	1,750,000	0.72	-	-	-
Dato' Lim Yew Boon	75,000	0.03	-	-	-
Vijay Vijendra Sethu	12,750,000	5.27	9,000,000	(a)	3.72
Lim Chin Sean	30,004	0.01	120,820,000	(b)	49.95
Soong Chee Keong	-	-	-	-	-
Dato' Sri Amrin Bin Awaluddin	-	-	-	-	-
Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin	-	-	-	-	-
Ahmad Jauhari Bin Yahya	-	-	-	-	-

(a) Indirect interest through a family trust.

(b) Deemed interest by virtue of his substantial shareholdings in Malar Terang Sdn Bhd, Water Clinic Sdn Bhd, Tali-Eaux Sdn Bhd, Century General Water (M) Sdn Bhd, Mal Monte Sdn Bhd and LGB Engineering Sdn. Bhd.

By virtue of his interest in the Company pursuant to Section 8 of the Companies Act 2016, Mr. Lim Chin Sean is also deemed interested in shares of all the Company's subsidiaries to the extent the Company has an interest.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty-Seventh Annual General Meeting ("27th AGM") of the Company will be held at Ballroom 1, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Tuesday, 15 May 2018 at 11.00 a.m. for the following purposes:

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2017 together with the Reports of the Directors and the Auditors thereon. **(Please refer to Note 1)**

2. To approve the payment of Directors' fees of RM1,080,000 in respect of the financial year ended 31 December 2017. **(Resolution 1)**

3. To approve the payment of meeting allowance to the Chairman of the Board/Board Committees and members of the Board/Board Committees of RM1,600 and RM1,000 respectively for their attendance at each meeting from 15 May 2018 until the conclusion of the next Annual General Meeting of the Company. **(Resolution 2)**

4. To re-elect the following Directors who are retiring pursuant to Article 80 of the Constitution of the Company and being eligible, have offered themselves for re-election:

   (a) Mr. Soong Chee Keong **(Resolution 3)**
   (b) Dato' Sri Amrin Bin Awaluddin **(Resolution 4)**
   (c) Mr. Lim Chin Sean **(Resolution 5)**

5. To re-appoint Deloitte PLT as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. **(Resolution 6)**

As Special Business

To consider and if thought fit, with or without any modification(s), to pass the following Resolutions:

6. **AUTHORITY TO ISSUE SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016**

   "THAT subject to Sections 75 and 76 of the Companies Act 2016 and approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered to issue and allot shares in the Company, at any time to such persons and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares to be issued during the preceding 12 months does not exceed ten per centum (10%) of the total number of the issued shares (excluding treasury shares) of the Company for the time being AND THAT the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad; **(Resolution 7)**

AND THAT such authority shall commence immediately upon the passing of this Resolution and continue to be in force until the conclusion of the next Annual General Meeting ("AGM") of the Company, or at the expiry of the period within which the next AGM is required to be held after the approval was given, whichever is earlier, unless revoked or varied by an ordinary resolution of the Company at a general meeting."

7. **PROPOSED RENEWAL OF EXISTING SHAREHOLDERS' MANDATE AND PROPOSED NEW SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE**

"THAT subject to the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and/or its subsidiaries ("the Group") to enter into recurrent related party transactions of a revenue or trading nature ("RRPT") with the related party(ies) as set out in Section 2.5 of Part A of the Circular to Shareholders of the Company dated 16 April 2018 ("the Circular") provided that such transactions are: **(Resolution 8)**

(a) necessary for the day-to-day operations;

(b) in the ordinary course of business and are on normal commercial terms and transaction prices which are not more favourable to the related parties than those generally available to the public; and

(c) not prejudicial to the minority shareholders of the Company.

("Shareholders' Mandate")

THAT such approval shall continue to be in force and effect until:

(a) the conclusion of the next AGM of the Company at which time it will lapse, unless the authority is renewed by a resolution passed at the said AGM;

(b) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 340(2) of the Companies Act, 2016 ("the Act") (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or

(c) revoked or varied by resolution passed by the shareholders in general meeting;

whichever is the earlier;

NOTICE OF ANNUAL GENERAL MEETING

AND THAT the Directors of the Company be and are hereby empowered and authorised to complete and do all such acts, deeds and things as they may consider expedient or necessary or in the best interest of the Company to give effect to the Shareholders' Mandate, with full power to assent to any condition, modification, variation and/or amendment (if any) as may be imposed or permitted by the relevant authorities."

8. **SPECIAL RESOLUTION**
PROPOSED ADOPTION OF NEW CONSTITUTION OF THE COMPANY

"THAT the Constitution of the Company be altered by deleting the existing Constitution in its entirety and substituting thereof with a new Constitution as set out in Appendix I of the Annual Report AND THAT the same be hereby adopted as the Constitution of the Company. **(Special Resolution)**

AND THAT the Directors of the Company be and are hereby authorized to assent to any conditions, modifications and/or amendments as may be required by the relevant authorities, and to do all acts and things and take all such steps as may be considered necessary to give full effect to the proposed adoption of new Constitution."

9. To transact any other business of which due notice shall have been given in accordance with the Companies Act 2016 and the Company's Constitution.

By Order of the Board

TAN BEE HWEE (MAICSA 7021024)
QUECK WAI FONG (MAICSA 7023051)
Company Secretaries

Kuala Lumpur
Dated this 16th day of April, 2018

Explanatory Notes on Ordinary Business / Special Business:

1. **<u>Item 1 of the Agenda</u>**
To receive the Audited Financial Statements for the financial year ended 31 December 2017

This Agenda item is meant for discussion only as the provision of Sections 248(2) and 340(1)(a) of the Companies Act 2016 does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this Agenda item is not put forward for voting.

2. Item 4 of the Agenda

The Nominating Committee ("NC") of the Company has assessed the criteria and contribution of Mr. Soong Chee Keong, Dato' Sri Amrin Bin Awaluddin and Mr. Lim Chin Sean and recommended for their re-election at the forthcoming Annual General Meeting. The Board endorsed the NC's recommendation that Mr. Soong Chee Keong, Dato' Sri Amrin Bin Awaluddin and Mr. Lim Chin Sean be re-elected as Directors of the Company. Please refer to the Corporate Governance Overview Statement or Corporate Governance Report for further details on the assessment conducted by the NC and the Board.

3. Item 5 of the Agenda

The Audit and Risk Management Committee ("ARMC") had conducted assessment on the performance of Deloitte PLT. Please refer to the Corporate Governance Overview Statement or Corporate Governance Report for further details on the assessment conducted by ARMC.

4. Item 6 of the Agenda
Authority to Issue Shares

The proposed Ordinary Resolution 7 is intended to renew the authority granted to the Directors of the Company at the Twenty-Sixth Annual General Meeting of the Company held on 22 May 2017 to issue and allot shares at any time to such persons in their absolute discretion without convening a general meeting provided that the aggregate number of the shares issued during the preceding 12 months does not exceed 10% of the total number of issued shares (excluding treasury shares) of the Company for the time being (hereinafter referred to as the "General Mandate").

The General Mandate granted by the shareholders at the Twenty-Sixth Annual General Meeting of the Company held on 22 May 2017 had not been utilised and hence, no proceeds were raised therefrom.

The renewal of the General Mandate will enable the Directors to take swift action for allotment of new shares for any possible fund raising activities, including but not limited to placing of new shares, for the purpose of funding future investment project(s), working capital and/or acquisition(s) and to avoid delay and cost in convening general meetings to approve such issue of new shares.

5. Item 7 of the Agenda
Proposed Renewal of Existing Shareholders' Mandate and Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Shareholders' Mandate")

The proposed Ordinary Resolution 8 is intended to seek new shareholders' mandate and to renew the existing shareholders' mandate granted by the shareholders of the Company at the Twenty-Sixth Annual General Meeting held on 22 May 2017 and seek shareholders' mandate for new recurrent related party transactions. The Proposed Shareholders' Mandate will enable the Group to enter into the recurrent related party transactions of a revenue or trading nature which are necessary for the Group's day-to-day operations, subject to the transactions being in the ordinary course of business and on normal commercial terms and transaction prices which are not more favorable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company.

NOTICE OF ANNUAL GENERAL MEETING

The Proposed Shareholders' Mandate would eliminate the need to convene separate general meetings from time to time to seek shareholders' approvals as and when potential recurrent related party transactions arise, thereby reducing substantially administrative time and expenses in convening such meetings, without compromising the corporate objectives and adversely affecting the business opportunities available to the Company and its subsidiaries.

Further information on the proposed Ordinary Resolution 8 is set out in the Circular to Shareholders dated 16 April 2018.

6. **Item 8 of the Agenda**
Special Resolution – Proposed Adoption of New Constitution of the Company

The Special Resolution, if passed, will align the Constitution of the Company with the Companies Act 2016 ("CA 2016") which came into force on 31 January 2017, the updated provisions of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad and the prevailing statutory and regulatory requirements as well as to provide clarity and consistency with the amendments that arise from the CA 2016 and MMLR. Please refer to Appendix I of the Annual Report to Shareholders dated 16 April 2018 for further information.

Notes:

1. In respect of deposited securities, only members/shareholders whose names appear in the Record of Depositors on 9 May 2018 shall be eligible to attend the 27th AGM.

2. A member/shareholder of the Company entitled to attend and vote at the 27th AGM is entitled to appoint one or more proxies to attend and vote in his stead. Where a member/shareholder appoints more than one proxy to attend and vote at the 27th AGM, such appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy. There shall be no restriction as to the qualification of the proxy.

3. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under Seal or under the hand of an officer or attorney duly authorised.

4. Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

5. Where a member is an authorised nominee as defined under SICDA, it may appoint at least one proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.

6. The instrument appointing a proxy and the power of attorney or other authority (if any), under which it is signed or a duly notarised certified copy of that power or authority, shall be deposited with the Share Registrars of the Company at Symphony Share Registrars Sdn Bhd, Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before 11.00 a.m. on Sunday, 13 May 2018 or any adjournment thereof.

FORM OF PROXY

TALIWORKS CORPORATION
LGB Group

CDS Account No.	
No. of ordinary shares held	

*I/We (full name), ____________________

bearing *NRIC No./Passport No./Company No. ____________________

of (full address) ____________________

being a shareholder of Taliworks Corporation Berhad ("the Company") (6052-V) hereby appoint:

First Proxy "A"

Full Name	NRIC/Passport No.	Proportion of Shareholdings to be Represented	
		No. of Shares	%
Full Address			

and/or failing *him/her,

Second Proxy "B"

Full Name	NRIC/Passport No.	Proportion of Shareholdings to be Represented	
		No. of Shares	%
Full Address			
			100%

or failing *him/her, the *Chairman of the Meeting as *my/our proxy to vote for *me/us and on *my/our behalf at the Twenty-Seventh Annual General Meeting of the Company to be held at Ballroom 1, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Tuesday, 15 May 2018 at 11.00 a.m. and at any adjournment thereof.

In the case of a vote by a show of hands, my proxy ____________________ (one only) shall vote on *my/our behalf.

Please indicate with an "X" in the spaces provided below as to how you wish your votes to be casted. If no specific direction as to voting is given, the proxy will vote or abstain from voting at *his/her discretion.

Item	Agenda			
1.	To receive the Audited Financial Statements for the financial year ended 31 December 2017 together with the Reports of the Directors and the Auditors thereon.			
Ordinary Resolutions		**Resolution No.**	**For**	**Against**
2.	To approve the payment of Directors' fees of RM1,080,000 in respect of financial year ended 31 December 2017.	1		
3.	To approve the payment of meeting allowance to the Chairman of the Board/Board Committees and members of the Board/Board Committees of RM1,600 and RM1,000 respectively for their attendance at each meeting from 15 May 2018 until the conclusion of the next Annual General Meeting of the Company.	2		
4.	To re-elect Mr. Soong Chee Keong, who is retiring pursuant to Article 80 of the Constitution of the Company and being eligible, has offered himself for re-election.	3		
5.	To re-elect Dato' Sri Amrin Bin Awaluddin, who is retiring pursuant to Article 80 of the Constitution of the Company and being eligible, has offered himself for re-election.	4		
6.	To re-elect Mr. Lim Chin Sean, who is retiring pursuant to Article 80 of the Constitution of the Company and being eligible, has offered himself for re-election.	5		
7.	To re-appoint Deloitte PLT as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration.	6		
Special Business				
8.	**Ordinary Resolution:** Authority to issue shares pursuant to Sections 75 and 76 of the Companies Act 2016.	7		
9.	**Ordinary Resolution:** Proposed renewal of existing shareholders' mandate and proposed new shareholders' mandate for recurrent related party transactions of a revenue or trading nature.	8		
10.	**Special Resolution:** Proposed adoption of new Constitution of the Company.	Special		

As witness my/our hand(s) this day __________ of ____________________, 2018.

*Signature/Common Seal of Shareholder
Contact number:

* Strike out whichever not applicable

Notes:

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6. The instrument appointing a proxy and the power of attorney or other authority (if any), under which it is signed or a duly notarised certified copy of that power or authority, shall be deposited at the Share Registrars of the Company at Symphony Share Registrars Sdn Bhd, Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before 11.00 a.m. on Sunday, 13 May 2018 or any adjournment thereof.

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Affix
Stamp

The Share Registrars
TALIWORKS CORPORATION BERHAD (6052-V)
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Malaysia
T +60 3 7849 0777
F +60 3 7841 8151/52

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Fold this flap for sealing

Taliworks Corporation Berhad (6052-V)

Level 19, Menara LGB, No. 1, Jalan Wan Kadir, Taman Tun Dr Ismail,
60000 Kuala Lumpur, Malaysia

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